HM Revenue & Customs

Departmental Autumn Performance Report 2007

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Autumn Performance Report 2007
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Contents

Introduction

This Autumn Performance Report provides an assessment of progress against the Chancellor's Remit and an update on our Public Service Agreements and Efficiency targets in the first half of the current reporting year. The final section is a set of statistical tables covering performance in 2006-07 except where indicated otherwise.

Our Responsibilities

HMRC is responsible for collecting the majority of tax revenue as well as paying tax credits and child benefit, and strengthening the UK's frontiers. We manage

- Income, Capital Gains, Corporate, Inheritance, Stamp, Land and Petroleum Revenue taxes
- Value Added Tax and Insurance Premium Tax
- Excise duties
- Customs duties and frontier protection
- Environmental taxes – climate change and aggregates levies and landfill tax
- National Insurance Contributions
- Tax Credits
- Child Benefit and Child Trust Fund
- Enforcement of National Minimum Wage
- Money Laundering Regulations, and
- Statutory payments

We also administer the collection of student loans on behalf of the Department for Innovation, Universities and Skills.

Responsibility for the Office of the Paymaster General (OPG) transferred from HM Treasury to HMRC in April 2006.

On 2 April 2007, responsibility for businesslink.gov was assumed by HMRC. The site was previously managed by the former Department of Trade and Industry.

Reporting on Integration

Since the creation of HMRC in April 2005, we have included a separate chapter in our spring and autumn reports on progress with integration of the two former Departments. It is now becoming harder to identify activities specifically related to the merger separately from those which are now part of our day-to-day business. We have therefore concluded that these special chapters are no longer relevant to our Departmental reports.

HMRC: Moving forward

Following the recent and serious loss of Child Benefit data for millions of customers and their families it is clear that HMRC's immediate priorities must be to strengthen data security and improve service to customers and agents. HMRC has already started to urgently address the issues that caused the breach of data security and rebuild HMRC's reputation and customer confidence. This Autumn Performance Report is published on the same day as the Chairman's response to our Capability Review, which will help us to improve our processes and the quality of service to our customers further.

Section 1: Assessment of progress against the Chancellor's Remit 2007-08

Each year the Chancellor of the Exchequer writes to the Chairman setting out the general direction and priorities for HMRC over the forthcoming 12 months. This Remit incorporates the delivery of a stretching set of Public Service Agreements as well as our ambition for a significant service transformation that will put our customers at the heart of what we do.

This year's Remit (a copy of which was published in our Departmental Report for Spring 2007) focuses on delivery of our 2004 PSA and efficiency targets, and the continued transformation of the way the Department works and is organised, to continue to realise the benefits brought by the creation of HMRC and prepare for the challenges set by our CSR 2007 settlement. This section provides an update on progress against those specific areas of activity mentioned in the 2007-08 Remit. Details of progress against our PSA targets is contained in Section 2.

Departmental Transformation Programme

The Departmental Transformation Programme (DTP) was set up to:

- support a customer focused organisation that transforms the customer experience;
- improve effective management of revenue flows; and
- reduce the running costs of the Department.

The programme has agreed funding of £400 million in the current year and indicative funding of over £1.1 billion in 2008-09 to 2010-11. A rigorous investment appraisal across the portfolio is being conducted this autumn. Ahead of finalising the portfolio the programme has already made significant contributions to the transformation agenda and to HMRC's plans for the future. These include:

- delivering a simplified pensions tax regime reducing the administrative burden on business by over £40 million;
- reducing the administrative burden for around 200,000 contractors in the Construction Industry Scheme by providing an electronic alternative to paper processes, replacing individual vouchers with monthly contractors' returns and removing the need for the contractor's end of year return. Construction industry cards and certificates have been discontinued. Subcontractors no longer have to travel to present their documentation in person for contractors to inspect; and
- seeking further efficiencies in workload and processing over the next four years, beyond the savings of around 2,000 staff enabled so far this year.

The achievement in areas of Workforce Change and Estates Consolidation are covered in progress on our Efficiency Programme set out in Section 3.

Robust management and control of costs

We have a strategic plan to deliver our objectives during the CSR years and this is underpinned by a four year resource allocation model that is refined through each annual planning cycle. Responsibility for management and control of resources is delegated to individual Directors and we have strengthened our challenge and support function this year with a 'Finance into the Business' initiative. This has seen the appointment of nine senior Finance Directors who report to our Director Generals across their portfolio of responsibilities, strengthening accountability and providing greater clarity of the resource and performance challenges across the business. Challenges to resource plans are scrutinised by a senior-level Cross Cutting Performance Committee, who are ultimately responsible for recommendations to deliver optimum output within any cost control measures.

We constantly review our control and management of resources, building in challenge at all levels in the organisation. In addition to the 'Finance into the Business' improvements we have improved our quarterly performance review process by focusing more strongly on key financial and performance data and have developed a number of operating networks for users of our financial and reporting system, for Finance Business Partners and for our new Finance Directors.

Comprehensive Spending Review 2007

The Comprehensive Spending Review (CSR07) has announced a new performance management framework, with a streamlined set of 30 new Public Service Agreements (PSAs) setting the Government's priority outcomes for the period from 2008 to 2011. HMRC will contribute to the following seven of these PSAs:

- PSA 3: ensure controlled, fair migration that protects the public and contributes to economic growth;
- PSA 6: deliver the conditions for business success in the UK;
- PSA 9: halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020;
- PSA 18: promote better health and wellbeing for all;
- PSA 24: deliver a more effective, transparent and responsive Criminal Justice System for victims and the public;

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- PSA 25: reduce the harm caused by alcohol and drugs; and
- PSA 26: reduce the risk to the UK and its interests overseas from international terrorism.

We are also a significant contributor to the cross-departmental Service Transformation Agreement[1] (STA), which underpins delivery of the whole of the new PSA framework, and aims to build services around the needs of citizens and businesses. We are taking a leading role in delivering high quality, customer centric content to DirectGov and businesslink.gov (see below) starting with the rewriting and migration of priority content areas in 2007-08.

To support these commitments, we have a set of Departmental Strategic Objectives[2] (DSOs) for the CSR07 period. The DSOs demonstrate our core business activities as well as capturing our contribution to the PSAs and the STA. Our DSOs are to:

- improve the extent to which individuals and businesses pay the tax due and receive the credits and payments to which they are entitled;
- improve customers' experience of HMRC and the UK business environment; and
- reduce the risk of the illicit import and export of material which might harm the UK's physical and social well-being.

To support these DSOs, we are developing a number of Key Performance Indicators (KPIs). These will provide a means of assessing our performance and demonstrating that we have met our key objectives to manage the whole of the business effectively during the period. Further detail on these KPIs will be published on our website in due course.

Joint Working with DWP

We have worked with colleagues from Jobcentre Plus and North Tyneside Council to help our mutual customers as they move in and out of work. Customer research and the knowledge of local frontline staff were used to design a trial process to gather all the information and verify all the evidence needed to resolve benefit or tax credit claims from customers at the first point of contact.

The information was then passed to Tax Credit Office and the local authority housing benefit office, reducing the time taken to get all benefits and credits in place, and removing the need for customers to provide the same information to three different organisations.

The results of this trial in North Tyneside were encouraging, with over half of customers involved in the scheme reporting an improved service. The process has been refined and now six local authorities have agreed to work with the two Departments to test further the process before evaluating the results early in the new year.

Businesslink.gov

Having successfully completed the transfer of businesslink.gov to HMRC in April, we are on track to meet enhanced key performance indicators for 2007-08, including increases in the number of businesses using the site and in the volume of site traffic. A number of strategic projects being delivered this year will enable the programme to deliver further benefits to business.

In line with the Government's STA and HMRC's second DSO, we have been developing plans for CSR07 that will enable businesslink.gov to become the main online channel for business-government interaction. Work is already under way to ensure that we have the capacity and capability to begin the full service transformation programme in 2008-09.

There has been substantial engagement with key departments to develop agreed plans to introduce joined up transactions and content from departments for the next three years. The programme is working with DirectGov which, in parallel, aims to become the main online channel for individual government interaction, to identify areas where our plans need to be aligned. Our approach is centred on the delivery of transactions and related content for a series of key customer services.

Better understanding of tax receipts

We devote considerable resource towards developing our understanding of the threats to the tax system. There are several strands to this work.

Since 2001 we have published statistical measures of tax losses for VAT and the main excise duties,

1 Available on the HM Treasury website: **www.hm-treasury.gov.uk**

2 Available on our website: **www.hmrc.gov.uk**

spirits, tobacco and hydrocarbon oils, in a technical document released at the same time as the Pre-Budget Report and available on our website. The documents include an estimate of losses from Missing Trader Intra Community (MTIC) fraud, also known as VAT carousel fraud. This year we have also published a paper setting out the methodological issues surrounding estimation of direct tax losses. This discussion document also brings together for the first time estimates for direct tax losses for Individuals, Small and Medium Companies and Small and Medium Employers. Work is continuing to develop robust measures for Large Business and the Informal Economy.

New management information systems and streamlined processes will allow an improved assessment of the scale of losses for large companies and the extent of avoidance. The avoidance disclosure scheme now provides a clear picture of the types of avoidance scheme being marketed in the UK. Information describing disclosed schemes is available via our website.

We have also made real progress in the way in which we monitor receipts and payments to check for new types of non-compliance and in particular for new types of criminal attacks. This work to identify new sources of loss complements the monitoring systems we have in place to check the current behaviour of those known to have engaged in criminal activity in the past.

We are developing a sophisticated understanding of the full impact of our compliance activities. For the first time this work has provided some quantification of the preventative effect of enquiries and the extent to which taxpayers remain compliant following contact. Work continues to widen the scope of this type of analysis to all the compliance tools at our disposal. Longer term research is also under way to measure the wider deterrent effects of our activities.

We are making rapid advances in the type of data available for risk assessment and models for using this data. The offshore accounts exercise is a very good example of the campaign approach we are starting to apply where new sources of third party data are used, in this case data provided by banks on offshore accounts, both to understand the scale of tax losses in a particular area and to target our activity. Similar work is now under way to both measure and target activity in the Informal Economy.

We place great importance on gaining a better understanding of customers and their behaviours. From a compliance perspective this has led us to commission external research into customer attitudes towards the tax system and to set up a mechanism to track customer perceptions of the effectiveness of our compliance regimes. This tracking mechanism should be in place from 2008. We keep up to date with other work in this area, including engagement with:

- other fiscal authorities via Organisation for Economic Co-operation and Development;
- other government departments' research, particularly research regarding customer behaviour and criminal behaviour; and
- academics.

Tax Credits

Pre Budget Report (PBR) 2005 Package: the Government announced a package of measures in PBR 2005[1] to ensure that the system strikes the right balance between providing a stable award and maintaining the ability to respond to changes. In HMRC Departmental Report for 2006-07[2] we reported good progress in implementing this package of measures, in particular on the introduction of the £25,000 disregard, bringing forward the renewal deadline by one month, the automatic restrictions in recovery and the change in reporting requirements. This is already making a significant improvement to the way in which the tax credit system operates and to the outcomes for families.

As a result of progress on the renewal deadline, the Government announced in PBR 2006[3] that the deadline for the return of renewal information will be moved forward a further month from 31 August to 31 July from 2007. This was implemented successfully and reduced further the time that families could have been paid tax credits calculated on out of date information. In June 2007 we introduced a fully automated IT solution to ensure the operation of automatic limits on the rates of recovery of overpayments where awards are adjusted in year, to replace the previous clerical process.

1 This is set out in Box 5.2 page 97 Pre Budget Report 2005 (Cm 6701) available on the Treasury website: **www.hm-treasury.gov.uk**

2 HMRC Departmental Report Integrating and growing stronger Spring 2007 (Cm 7107) available at **www.hmrc.gov.uk**

3 Pre Budget Report 2006 (Cm 6984) is available on the Treasury website: **www.hm-treasury.gov.uk**

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We are implementing the rest of the package this year. From April 2007, claimants who report a fall in income have their payments adjusted for the rest of the year, but we no longer make a one-off payment for the earlier period. At the end of the year, when their actual income is known, their award will be finalised. If they have been underpaid a further payment will be made in the ordinary way.

In February and March 2007 we wrote to around 2 million families to ask for up to date information on income, allowing provisional payments up to the time of renewal to be set more accurately and so helping reduce overpayments. The final element of the package, which will be implemented from April 2008, will change the way that provisional payments are calculated if a claimant has not reported an up to date estimate of income. In these cases provisional payments will be based on the assumption that their income has increased in line with average earnings.

Tax Credits Transformation Programme: in addition to implementing the package of reforms announced at PBR 2005 we have been making improvements to the administration of tax credits continuously over recent years. The Tax Credits Transformation Programme continues this drive to make improvements to tax credits and gives it new focus. The programme has already run 5 pilots since March 2007 testing different ways to improve service to tax credit customers.

One of these pilots allowed those reporting a household breakdown to both terminate their old, joint claim and make a new, single claim in one telephone call. Over 70% of customers in the pilot saw no break in their payment and feedback from customers showed that the service was very well received.

We have further refined this pilot and from the start of November 2007 anyone in these circumstances has been able to carry out the change in one telephone call. This will benefit around 170,000 tax credits customers each year at what is a very difficult time in their lives.

Code of Practice on Recovering Overpayments: HMRC's policy on recovering overpayments is set out in Code of Practice 26: *What happens if we have paid you too much tax credit*. One aspect of that policy is the "reasonable belief test" which states that if an overpayment has been caused by a Departmental mistake and it was reasonable for the customer to think that award was correct then the overpayment will be written off.

Following consultation we will, in January 2008, be replacing the reasonable belief test with a clearer test, setting out what customers need to do to check factual information relating to their claim and what customers can then expect us to do. **Importantly, we will have** a time limit to act on mistakes reported to them. This will mean a fairer allocation of responsibilities between the customer and the Department.

Links with large business

Sir David Varney's 2006 Review of Links with Large Business focused on outcomes designed to improve the attractiveness of the UK business tax administrative environment. We are on target to deliver in line with the plan published at Budget 2007, with delivery focusing across the four themes that business told us would make a difference: certainty, risk management, speedy resolution of issues and clarity through effective consultation.

We published a progress report at PBR 2007 which was very well received by the business community. Highlights include:

- an Advance Agreements Unit which opened for business at PBR, providing greater certainty and support for inward investments and significant corporate reconstructions, across all duties and taxes;
- the extension of Relationship Managers to a wider proportion of our largest businesses, according to their complexity and risk profile; and
- implementation of the Risk Framework published at Budget 2007. We now expect that 40% of our largest businesses will be classified as 'low risk' by March 2008, reducing their compliance burden, and that 75% of low-risk open issues will be settled.

As part of the progress report we also published the responses to two consultation documents issued in June 2007: '*Giving certainty to business through clearances and advance agreements*' and '*HMRC approach to transfer pricing enquiries*'. We are working with business to deliver the new clearance arrangements around Budget 2008, and have started delivering the new approach on transfer pricing, with a dedicated team of international specialists to maintain focus on risk and efficient resolution.

All the documents and reports mentioned above are available on our website.

Carter Programme

Following the revised timetable for implementation of the recommendations of Lord Carter's Review of HMRC Online Services[1], we have consulted widely with customers. In May we delivered pilot roadshows aimed at accountants and tax professionals to raise awareness of online services, communicate the benefits of dealing with HMRC online, and enable them to provide feedback. A formal programme of regional roadshows has now been established with over 100 events planned through to the end of March 2008.

We consulted software vendors and tax agents to share ideas and concerns and established a working group which aims to facilitate consultation between software vendors, agents and HMRC on issues relating to the implementation of the recommendations.

We now have all the primary legislation necessary to implement the detailed requirements for businesses and employers to file online in phases between 2009 and 2012. From 2008, there will also be changes to the SA filing dates which will encourage taxpayers and their agents to file online. Paper returns will need to be filed by 31 October following the end of the tax year, online filers will have a further 3 months – to 31st January.

We continue to make good progress with the IT design and implementation needed to support the Carter recommendations. We have worked closely with customers and their agents to understand their priorities for enhancements to the existing online services and ensure that these are built into our development plans. We have set out a rigorous test schedule against which we are making good progress. We are seeing increasing customer confidence in the resilience of our online services and adoption of SA online filing, by agents in particular, is growing steadily ahead of the changes to filing dates in 2008.

Administrative Burdens Reduction

At Budget 2006, the Government announced administrative burden reduction targets for HMRC. This followed the extensive research that we commissioned to establish baselines for the current burden. The targets are to:

- reduce by at least 10% the administrative burden on business of dealing with HMRC forms and returns over a 5 year period, equivalent to £337 million; and
- reduce the administrative burden on compliant business of dealing with HMRC's audits and inspections by 10% over three years and at least 15% over 5 years, equivalent to £14 million and £21 million respectively.

We are working closely with the Administrative Burdens Advisory Board[2] in developing a programme of work designed to assist in meeting these targets and make a real difference to business. The Board draws its membership from business organisations and people with practical experience of running businesses in the UK. The Board has made a real impact in ensuring that we focus on the issues that matter most to business and in acting as a focal point for work within HMRC.

To add further impetus to this work, we have held a series of Challenge Panels where individual HMRC Directors are challenged to identify new proposals to reduce administrative burdens. The Panels have prompted a radical review of the main administrative burdens.

We are making good progress against delivery of the targets. As at April 2007, we had delivered a reduction in the burden on business worth around £130 million.

At April 2007 we had reduced the net administrative burden of audits and inspection by an estimated £43 million as a result of the reform of the Construction Industry Scheme. We have also developed additional measures of our progress to ensure that we achieve benefits across all business sectors.

We are continuing to work to achieve wider reductions in areas outside those covered by our published targets. In all this work, our emphasis is on identifying changes where businesses will really feel the difference. A more detailed update on administrative burden reductions will be published in 2008.

1 Available on our website: **www.hmrc.gov.uk**

2 More information is available at: **www.hmrc.gov.uk/better-regulation/ab-terms.htm**

Section 2: Progress against our Public Service Agreement targets to date in 2007-08

As we near the end of the SR04 reporting period, the picture of our achievement against some of the more challenging public sector targets is becoming clearer. We are pleased that 18 of the 24 measures underpinning PSAs have shown an improvement in performance since April 2005, and in some cases we have exceeded expectation.

Detailed analysis of performance and commentary on the activity undertaken in pursuit of our PSA targets is provided below and this is followed by tables summarising our progress against the targets.

Objective I: Improve the extent to which individuals and businesses pay the amount of tax due and receive the credits and payments to which they are entitled.

Target 1: By 2007-08, reduce the scale of VAT losses to no more than 11% of the theoretical liability

We continue to deploy our resource to the areas of highest risk through the VAT Compliance Strategy, for example during the current reporting year we have redeployed resources to tackle our highest priority – Missing Trader Intra Community fraud – a criminal attack on our VAT system. We have also seen improvements to risk targeting and the development and implementation of a Cross Tax Evasion Strategy to tackle fraud by dealing swiftly and effectively with suspected fraud and evasion and targeting threats to the revenue from suspected attacks. This will ensure that those engaged in tax fraud are identified quickly and penalised effectively, thereby providing a level playing field for taxpayers who want to comply and get their tax affairs right.

Estimates released in the 2007 Pre-Budget Report showed that attempted MTIC fraud fell by around £1.5 billion in 2006-07. This followed the introduction of operational and legislative measures to strengthen our strategy for tackling MTIC fraud. We are determined to build on this success and will take further steps to undertake criminal investigations of suitable cases, with a view to prosecution, and apply both criminal and civil sanctions to those who are found to be knowingly involved in fraudulent trading. The tightening of checks on suspect VAT repayment claims, the introduction of new VAT accounting rules known as the 'reverse charge', for goods commonly used in MTIC fraud, and the widening of 'joint and several liability' powers all contributed to the fall in attempted MTIC fraud.

We have continued to secure impressive prosecution results with 18 successful convictions in the first five months of this year, resulting in combined sentences totalling 85 years. Notably, individual sentences of 10 and 15 years were imposed reflecting the seriousness of MTIC fraud. In addition, confiscation orders with a total value in excess of £11 million have been awarded against those convicted. Further orders are expected once the confiscation investigations have been completed. Work undertaken in the course of current criminal investigations has also contributed significantly to the wider Departmental effort to combat MTIC fraud by providing evidence to support the denial of fraudulent VAT repayment claims.

Target 2.1: By 2007-08 reduce the illicit market share for cigarettes to no more than 13%

During the first half of the current reporting year (2007-08), we have maintained the downward pressure on the illicit market through the continued implementation of the Tackling Tobacco Smuggling Strategy[1]. In particular, we have focused on enforcement of the Supply Chain Control legislation introduced in the Finance Act 2006, and the introduction of new anti-counterfeiting marks.

In the report published at Budget 2006 'New Responses to New Challenges – Reinforcing the Tackling Tobacco Smuggling Strategy', a package of new measures was introduced to address the changing risks, along with a specific operational target, to reduce the size of the illicit market for hand rolling tobacco (HRT) by 1,200 tonnes (equivalent to around 20%)

1 Available on our website.

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by 2007-08. Good progress has been made implementing these measures and we are optimistic that they will have an impact, particularly on the supply of illicit HRT. However, organised crime continues to target this area and the incentive to smuggle remains high.

Between 1 April to 30 September 2007 we seized:

- 909.7 million cigarettes, making a total of 15 billion seized since the strategy was introduced in 2000; and
- 89.8 tonnes of HRT.

Our operational response has been enhanced to include enforcement of the Supply Chain Control legislation which is intended to restrict the supply of genuine tobacco products to smugglers, and the detection of contraband and counterfeit product both at the frontier and inland where we are working closely with other agencies, notably Trading Standards. We also continue to intercept counterfeit cigarettes destined for the UK through our work with overseas agencies.

From October 2007, all packs of cigarettes destined for the UK duty paid market incorporate covert anti-counterfeit security marks. This will enable enforcement officials to readily identify counterfeit product and prevent them from infiltrating the formal retail sector. The requirement for similar anti-counterfeit security marks will be extended to all HRT packs from October 2008.

Target 2.2: By 2007-08 reduce the illicit market share for spirits by at least a half

The duty stamps scheme for spirits was launched in 2006. We are now satisfied that there are only minimal quantities of unstamped duty paid product in circulation. Increased checks on compliance with the legislation commenced in the autumn.

Intelligence indicates that organised criminal groups are focusing their attention on alcohol. We have successfully concluded a number of operations where we have detected and dismantled commercial scale illicit spirits distilling and bottling plants. We have tightened-up our controls over industrial alcohol supplied in the UK which can potentially be misused for the production of illicit spirits. We are now focusing our attention on alcohol sourced from outside the UK.

Target 2.3: By 2007-08 hold the illicit market share for oils in England, Scotland and Wales at no more than 2%

We are on target to achieve our PSA objective to hold the illicit market share to no more than 2%, but recognise the challenge of maintaining this achievement. We continue to work closely with the industry to ensure a collaborative approach to tackling fraud, including sharing information on trends and results. Our focus remains on continually developing our anti-fraud measures, ensuring effective co-ordination of cross departmental efforts to optimise our use of intelligence, including that obtained under the Registered Dealers in Controlled Oils (RDCO) scheme, and further improve our risk based targeting of enforcement activities. At the same time we have been exploring opportunities to reduce the burdens of our requirements on business and ensure that our policies are proportionate and risk based. Following consultation with industry, in January 2008, we will be introducing a relaxation of the RDCO requirements for suppliers of small quantities of rebated fuel. We are also undertaking a review of the scheme in consultation with industry to identify areas where we could potentially simplify our requirements or improve the way that we interact with legitimate businesses.

Target 3: By 2007-08, reduce underpayment of direct tax and National Insurance Contributions due, by at least £3.5 billion a year

Our latest forecast indicates that we are broadly on track to meet our £2.25 billion indicative trajectory for 2006-07. The achievement for 2007-08 is more challenging but key contributing initiatives should include the:

- Off Shore Disclosure Scheme where we have identified offshore bank account holders who may not have paid the appropriate UK tax and invited them to disclose any outstanding liabilities. To the end of November 2007, over 62,000 people have registered to make disclosures, of whom over 44,000 have made disclosures, and £331m has been banked. The total projected yield from all disclosures is just over £400m. We are also pursuing those account holders who have not disclosed under the scheme to ensure that any UK tax liabilities are paid;

- High Risk Corporates Project which is in line with the Varney approach to our links with business (more information on this is contained in Section 1). This initiative aims to achieve the speedy resolution of appropriate large corporate cases. Using this refocused approach with specialist teams and a timeline for settlement, we have already settled an exceptionally large case with a high-value yield; and the
- Property Project where we have identified people who are deriving income from their properties by either renting them out or by disposing of them and failing to pay the related tax. We are taking action to establish any unpaid tax liabilities and the necessary steps to recover the outstanding amounts.

Target 4: By 2007-08, increase the percentage of individuals who file their Self Assessment returns on time to at least 93%.

By the end of November the overall number of returns filed (paper and online) is down by 5.07% compared to 2006-07. However online filing is continuing to grow apace which reflects a movement from paper to online. We are continuing to monitor the position carefully. A Direct Mail campaign started in August with further mail shots in October and late November.

"We are on target to achieve our PSA objective to hold the illicit market share for oils to no more than 2%, but recognise the challenge of maintaining this achievement"

In recent years, significant resource has been put into raising the Self Assessment (SA) filing rate, which is already at a much higher rate than that for other taxes. Raising SA performance further, by even a small margin, is unlikely to enable the target to be reached and will require the movement of resource from other activities which are of greater value and which provide better returns on investment. We have therefore focused more on value for money/cash to bank by moving to an explicit strategy of recognising value and risk, rather than seeking to simply improve still further the overall SA filing rate.

This focus on value for money/reduction of the tax gap, whilst making most effective use of our resource, will mean that the current PSA target 4 will not be reached.

Objective II: Improve customer experiences, support business and reduce the compliance burden.

Eight key indicators make up the three targets in Objective II. At this point in the final year three of them remain on track to meet the targets, or exceed them. There are now only a few months to go before the target end date, and the final measurement point for most of these indicators comes earlier in this period. Within the short time available, meeting the target for the remaining indicators is also increasingly challenging.

Target 5 : Respond accurately and completely to requests for advice:

- by 2007-08 increase to at least 80% the proportion of individuals and businesses who said they achieved success at first point of contact;
- by 2007-08 increase to at least 90% the accuracy and completeness of information and advice given and actions taken in respect of contact.

We measure perceptions of success at first point of contact, using an annual telephone Customer Service Survey (CSS) of around 19,000 HMRC customers across 13 separate customer groups covering individuals, businesses and agents.

The last survey to measure success at the first point of contact was undertaken in November 2006. The results show that over 74% of our customers, who had contacted us in the previous 12 months, felt they got the help or information they needed first time. This was 2.4 percentage points above the 2004 baseline score and 2.9 percentage points above the 2005 survey result. Our programme of service enhancements is continuing but with the final survey in this PSA period in autumn 2007, meeting this target

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remains a very significant challenge. Results from the 2007 survey are expected in early 2008.

We measure accuracy and completeness of the information and advice we give through two separate annual quality monitoring exercises on a representative sample of telephone calls to our Contact Centres and on post received from the public. We remain on track to meet the quality indicator. Post relating to debt management, which forms a small percentage of post, is excluded from this indicator because this part of our business uses a different system to monitor quality.

Target 6: Provide simple processes that enable individuals and businesses to meet their responsibilities and claim their entitlements easily and at minimal cost:

- by 2007-08 to increase to at least 90% the proportion of small businesses that find it easy to complete their tax returns;
- by 2007-08 demonstrate a measurable improvement in new and growing businesses' ability to deal correctly with their tax affairs. This will include increasing the proportion of applications for VAT registration that are complete and accurate to at least 50%;
- by 2007-08 increase to at least 85% the proportion of individuals who find their SA Statements of Account, PAYE Coding Notices and Tax Credit Award Notices easy to understand.

"The enhanced Employers CD-ROM provides information to help employers to complete their end of year return forms."

The 2006 CSS results confirmed the upward trend since 2004 in small businesses' ease of completing their own SA, PAYE and VAT returns. The 2006 survey results indicated that 92.6% of small businesses find these tax returns either very or fairly easy to complete against a target of 90%. Since then we have enhanced the Employers CD-ROM issued with the Employer Pack (to help employers finish one year and start the next). The P11 Calculator (first included in the CD-ROM in 2006, primarily for the very small unrepresented employer) provides, from April 2007, all necessary detail for the employer to complete their end of year returns forms (P14), and most of the data required for the Annual Return form (P35). We expect these enhancements to be reflected in improvements to this indicator in the 2007 survey.

The indicator for 'new and growing' businesses measures the impact of targeted support and education that we provide to those joining the tax regimes and those taking on their first employees. We have developed a range of interventions to provide timely and appropriate support. We now contact all new businesses in advance of the filing date for their first return (VAT, ITSA and employers), and we are testing the impact of different contact methods. We are also testing the comparative impact of written, telephone and face to face guidance provided to newly VAT registered, unrepresented businesses shortly after registration.

After a sampling exercise in early 2006 to establish the baseline for VAT, we introduced a new sample-based measure to reduce the chance of error. Current results demonstrate a large increase in performance which may include a small increase resulting from the changed methodology.

Significant improvements in the ability of businesses to provide complete and accurate VAT registration applications have resulted from a review of the criteria for complete VAT registration applications and a revised registration application form and guidance introduced in December 2006. We are now greatly exceeding the 50% target each month, and expect this to continue throughout the year. We also reviewed the way we process applications. However, necessary steps to tackle VAT fraud, various additional process and IT problems, and a spike in application numbers have contributed to a backlog in getting new businesses registered in the first half of 2007-08. In July 2007, we began implementing an action plan to address this, including targeting our checks more effectively, applying additional changes to the risk process, putting extra people in place to deal with registrations and improving our IT systems. Planned improvements are

well on track and delays are now being progressively reduced. By 31 January 2008, we expect to meet our target to process 70% of cases (that is all of those cases that are complete, accurate and low risk) within 14 days.

We measure individuals' ease of understanding of their SA Statement of Account, PAYE Coding Notices and Tax Credit Award Notices through our annual CSS. The 2006 survey results did not show the increase in improved understanding we had been expecting as a result of some of the new forms released. The overall result at 76.7% was slightly down on 2005 and still below the 2004 baseline of 77.6%. Since all planned changes to the relevant forms have been implemented and further changes of the kind required were not possible in the time available before the final survey in November 2007, delivering the 85% target will be very challenging.

Target 7: Deal effectively and appropriately with information provided, so that levels of contact are kept to a minimum:

- by 2007-08 increase to at least 95% the rate of accuracy achieved in administering SA , PAYE, Tax Credits and NICs;
- by 2007-08 increase to 35% the percentage of SA tax returns received online;
- by 2007-08 increase to 50% the percentage of VAT returns filed online.

Accuracy and completeness of handling information that we receive from customers, in over 45 million transactions each year, focuses on manual interventions and case working (rather than automated processing) in four processes: SA, Tax Credits, PAYE and NICs. Through random sampling by quality monitoring teams (and weighting of results) we assess progress against the overall target of 95%. Current results indicate that, while administration of Self Assessment and Tax Credits continue to perform at or above the target, there remains scope to improve our PAYE and NI results. We are therefore continuing to focus resources in this area.

Online filing of SA returns by individuals and by agents has continued to increase progressively to the extent that by the end of September 2007, 36% of all SA returns were filed online. There has been a significant increase in online filing by agents with 29.7% more returns being filed online during 2007-08. We remain on track to meet the 35% target again this year.

VAT online filing was considered as part of Lord Carter's Review of HMRC Online Services[1] in 2005-06. The 50% target is now expected to be met in 2010 in line with the revised timetable announced at Budget 2007 for the implementation of Lord Carter's recommendations in relation to VAT.

Online filing of VAT returns is, however, continuing to increase and in the 3 month period August, September and October 2007 11.97% of all VAT returns were filed online.

Objective III: Strengthen frontier protection against threats to the security, social and economic integrity and environment of the United Kingdom in a way that balances the need to maintain the UK as a competitive location in which to do business.

Target 8 – By 2007-08, to improve our capability to intervene at the frontier

- number of seizures of prohibited and restricted goods (a summary of seizures is published in Section 4);
- % positive outcomes against requests received for interventions
- Service Level Agreements with lead government departments for prohibited and restricted goods;
- effectiveness of Cyclamen capability (in line with the Service Level Agreement with the Home Office to intercept a proportion of vehicles triggering an alarm)

Drugs: We continue to intercept prohibited drugs at the frontier, especially heroin and cocaine. We are working closely with the Serious Organised Crime Agency (SOCA) and with key overseas partners, providing mentoring and training in a number of countries, notably Afghanistan, Jamaica and Ghana. Although seizures of heroin are behind trajectory for the first 6 months of the year, we are working with SOCA to improve intelligence, which should help us towards achieving our target by the end of March.

1 Copies of the report and Regulatory Impact Assessment are available on our website.

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Products of Animal Origin: We continue to target the routes for non EU traffic that pose the greatest risk of animal disease entry into Great Britain taking account of latest risk assessments from Defra veterinary experts.

We are working closely with Defra colleagues to deliver our joint publicity campaign for 2007-08 to raise awareness about the current rules for personal imports and the consequences of non compliance.

Requests for interventions: This covers requests received for support from outside the department, primarily from SOCA, but also requests from other law enforcement agencies.

We are now engaged in all of the SOC (Serious Organised Crime) programmes of activity and contribute to the development of projects within the various programmes. At the end of September 2007 we had responded to 844 requests from SOCA for checks/enquiries and 111 requests for interventions, which resulted in seizures of just over 862kgs of cocaine. The baseline and targets are currently provisional.

Details on the work we are doing with other agencies in the Border Management Programme is outlined below.

Service Level Agreements: These have been implemented with lead government departments and we have revisited the nature and extent of our contribution. We have updated existing agreements to confirm that we are achieving the agreed outputs that are recognised as having a positive impact on the overall objective. While the enforcement frameworks in a number of the regimes are volatile, our latest assessment is that we have broadly recovered in those regimes where there was slippage.

Programme Cyclamen: This is a Counter-Terrorism initiative, to screen air, sea, rail and Channel Tunnel traffic, including containers and freight, post and fast parcels, vehicles and passengers, for the illicit movement of radioactive materials. This is achieved through risk-based and intelligence led deployment of fixed and mobile detection capabilities. The initiative forms a key element of the UK's Counter-Terrorism Strategy, CONTEST. The Home Office has the lead responsibility for the implementation of Programme Cyclamen, supported by HMRC who are responsible for operating the equipment at UK points of entry and for the initial detection of any imported nuclear or radiological material. The target is to intercept 98% of traffic (baseline is 97%), which triggers an alarm whilst the technology is manned.

The majority of alarms are caused by naturally occurring radioactive materials and give no cause for concern. Procedures to deal with, and dispose of, any materials that may be found are in place. At the end of August 2007, Cyclamen had screened over 8.7 million vehicles/containers.

We continue to work with Home Office colleagues, and port and airport operators to ensure that implementation and operations progress with the minimum of disruption to commercial activity and the travelling public.

Target 9 – By 2007-08 to improve our effectiveness by 50% in identifying irregularities in third country freight.

HMRC officers use risk-based profiles to select freight for examination at ports and airports in the UK. The use of effective profiling techniques ensures that we maximise our detection of irregularities while minimising the impact on legitimate freight traffic, and reducing delays to importers and exporters. By reviewing the profiles currently in use within HMRC, both at a national and a local level, we have been identifying those which continue to be effective, and removing those which are unproductive. In September 2007, our 3 monthly rolling percentage figure rose to 29%, and a steady increase throughout the year indicates that the target of 27% should be met at the end of March 2008.

Target 10 – Maintain the extent to which importers, exporters and their agents believe we are striking the right balance between frontier protection and maintaining the UK as a competitive location in which we do business.

This target is measured by an annual survey covering a random sample of regular importers, exporters and their agents. The results are weighted together by population size for each customer group. The 2006-07 results indicated that we are on course to deliver our PSA target to maintain the extent to which importers, exporters and their agents believe we are striking the right balance between frontier protection and

maintaining the UK as a competitive location to do business. This has been done in the light of changes to customs procedures to improve security such as radiological scanning of freight. We will have the 2007-08 results in March 2008.

The results so far are:

Year	Positive responses	Negative responses	Lead of positive over negative
2005-06	46%	22%	+24 (baseline)
2006-07	58%	12%	+46

Since April 2007 we have:

- focused publicity on benefits of harmonisation of the data elements for customs declarations across the EU;
- worked closely with the trade to deliver reliable systems changes;
- launched the new EU-wide system of certification of known reputable businesses as approved economic operators to improve supply chain security;
- improved the reliability of other customs computer systems; and
- monitored customer surveys for better insight into factors influencing perceptions.

Other frontier activity

In addition to the above specific targets and indicators we continue to implement the Border Management Programme (BMP) to strengthen border security while minimising the impact on legitimate traffic. We do this in collaboration with Special Branch and the Border and Immigration Agency (BIA), in response to the 'One Step Ahead' White Paper[1].

The primary legislation is now in place for enhanced passenger data acquisition powers and new information-sharing provisions between HMRC, the BIA and the Police. These provisions are intended to provide the legal framework for the three core border agencies to deliver the closer working demanded of them by the BMP. The secondary legislation required to implement the data acquisition and general sharing provisions is scheduled to be implemented in two stages: by 31 December 2007 and 1 April 2008.

We have developed an electronic Freight Targeting System, a risk assessment tool that allows us to electronically check freight movements before arrival in the UK. This has been introduced for Roll On Roll Off freight movements across the UK and is being developed for use with sea containers. The aim is to cover all modes of transport in due course.

Another key plank in the Government's strategy to secure the border, in which we are fully participating along with the BIA, UK Visas and the Police, is the e-Borders Programme, designed to provide advanced knowledge of who is entering and leaving the UK, and thereafter maintaining a historical movement's database, allowing for people to be refused entry or be challenged. We will use this enhanced tool to tackle smuggling and in challenging or supporting the tax affairs of certain individuals.

We are working closely with the police to develop our Automatic Number Plate Reader (ANPR) infrastructure and IT systems to support a multi-agency approach to the sharing of ANPR data. The system will enable the department to gain significant benefits in dealing with the interception at our borders of suspect vehicles linked to organised crime and in support of the intelligence and investigation aspects of our operations.

In July 2007 the Government, building on the work being carried out under the BMP and eBorders, announced the establishment of a unified border force integrating the work of the BIA, HMRC, and UK Visas at the main points of entry to the UK. HMRC and BIA were tasked with developing one single primary checkpoint for both passport control and customs. This activity was implemented in late September at a number of prototype sites around the UK. The sites (a combination of air and sea ports) were used to explore the issues associated with the delivery of single primary checkpoints for both passengers and freight. The key principles of the checkpoint are that they will be:

- the point where the primary intervention activity is carried out for both agencies;
- the main visible interface with the travelling public, business travellers and freight drivers; and

1 One Step Ahead, a 21st Century Strategy to Defeat Organised Crime (Cm6167), published in March 2004, is available from **www.homeoffice.gov.uk**

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- supported by a secondary function of specialist skills with clearly defined processes for hand-over.

The Government also announced a three month Cabinet Office Review to examine the case for further change at the border.

> *"On 14 November the Government announced the creation of a new UK Border Agency."*

On 14 November, the Government announced the creation of a new Home Office agency, the UK Border Agency. The new agency will report to both the Chancellor of the Exchequer, on fiscal issues, and the Home Secretary.

The new agency will combine most of Detection Directorate and some of those who support them along with UK Visas and the Border and Immigration Agency. Policy on customs and tax matters and associated processing will remain within HMRC. The UK Border Agency is expected to have around 25,000 staff in total and it will begin to operate on an interim basis from January 2008 while the necessary legislation is put in place.

Other Prohibitions and Restrictions

We enforce a wide range of prohibitions and restrictions at the frontier on behalf of other government departments and in fulfilment of our own statutory responsibilities. Many of these controls are long-standing but the scope continues to expand with the emergence of new and evolving concerns to public safety, the environment, conservation and international good governance.

We are also fully engaged in the changes planned for the EU regulatory environment, specifically the modernisation of the customs code, the introduction of pre-arrival/pre-departure messages and the development of the Community Risk Management Framework.

Strategic Exports and Sanctions: We work closely with a number of government departments to prevent and deter the illegal trade in goods subject to export licensing.

At September 2007 we had:

- concluded three strategic exports investigations, resulting in convictions relating to the illegal supply of small arms and controlled chemicals;
- compounded against a multinational company for the sum of £10,000 for a breach of export controls;
- prevented nine unlicensed exports of sensitive strategic goods to countries of concern; and
- issued 15 warning letters for export licensing irregularities.

Firearms: Since April 2007 we have seen a fall in the number of firearms seizures. We have enhanced our enforcement of firearms controls by creating a Firearms Co-ordination Centre to improve intelligence sharing internally and externally. At the end of September 2007, we had adopted 14 firearms cases for investigation and referred 227 cases to the Police.

In September, officers from HMRC attended the Defence Systems and Equipment International Exhibition in London. In partnership with colleagues from other government departments we worked with the organisers to ensure that all exhibitors were aware of their legal obligations in respect of weapons or equipment displayed at the exhibition and took action in a number of cases where breaches of controls were identified.

Intellectual Property (IP) Rights: The number of companies registering with HMRC to protect their IP rights continues to grow and at August 2007 stood at 679 with a renewal rate of around 90%. We have made significant individual seizures including pharmaceutical and designer label products and we continue to work with the London Organising Committee of the 2012 Olympic Games to protect their IP rights from counterfeiters.

Objective I: Improve the extent to which individuals and businesses pay the amount of tax due and receive the credits and payments to which they are entitled.

Target		Baseline	Latest Assessment	Target
1	By 2007-08, reduce the scale of VAT losses to no more than 11% of the theoretical liability.			Slippage
		16.1%[1]	14.2%	11%
		2002-03	2006-07	2007-08
2	By 2007-08			On course
2.1[3]	- reduce the illicit market share for cigarettes to no more than 13%	15%	13%[2]	13%
		2002-03	2005-06	2007-08
2.2[3]	- reduce the illicit market share for spirits by at least a half	7%	5%[2]	3%
		2002-03	2005-06	2007-08
2.3[3]	- hold the illicit market share for oils in England, Scotland and Wales at no more than 2%	6%	2%	2%
		2001-02	2005-06	2007-08
3	By 2007-08, reduce underpayment of direct tax and National Insurance contributions due by at least £3.5 billion a year.			Slippage
		-	£2.25bn[4]	£3.5bn
			2006-07	2007-08
4[5]	By 2007-08, increase the percentage of Self Assessment returns filed on time to at least 93%.			Slippage
		90.6%	86%	93%
		2005-06	September 2007	2007-08

1 The latest assessment of these baseline figures was published in 'Measuring Indirect Tax Losses (MITL) - 2007' in October 2007, available from **www.hmrc.gov.uk**. The VTTL model and the top down VAT gap derived from it are broad measures, subject to a degree of uncertainty. They are based on an analysis of survey and other data, and include a number of assumptions and adjustments which add both random and systematic variation to the estimates. More about this is published in 'MITL - 2007'.

2 *Measuring Indirect Tax Losses - 2007* (available on our website) sets out the latest estimates of revenue losses for these products and explains how these targets are monitored and measured. We believe that it is more appropriate to express estimates of the illicit market for these products as a range, defined as the area between upper and lower estimates, which represent a region within which the illicit market is most likely to lie. These ranges are shown in Section 4 Table 8. However the mid-point of the range is used here to illustrate the long-term trend and progress against the target.

3 The outturn at March 2007 has not yet been assessed. Where available, the latest assessments are shown.

4 This figure is provisional ahead of implementation of legislative measures

5 Target based on returns issued at 31 October. We count returns received before close of play on 1 February 2007. This reflects the decision in the case of Steeden-v-Carter, which means that we cannot impose late filing penalties until 24 hours after the statutory filing date of 31 January. We also exclude an estimated number of returns never received by taxpayers.

Objective II: Improve customer experience, support business and reduce the compliance burden.

Target		Baseline	Latest Assessment	Target
5	Respond accurately and completely to requests for advice			Slippage
Indicator 1[1]	By 2007-08, increase to at least 80% the proportion of individuals and businesses who said they achieved success at first point of contact	71.7% November 2004	74.1% November 2006	80% 2007-08
Indicator 2[2]	By 2007-08, increase to at least 90% the accuracy and completeness of information and advice given and actions taken in respect of contact	90% March 2005	93% September 2007	90% 2007-08
6	Provide simple processes that enable individuals and businesses to meet their responsibilities and claim their entitlements easily and at minimum cost			Slippage
Indicator 3[1]	By 2007-08, increase to at least 90% the proportion of small businesses that find it easy to complete their tax returns	87.6% November 2004	92.6% November 2006	90% 2007-08
Indicator 4[3]	By 2007-08, demonstrate a measurable improvement in new and growing businesses' ability to deal correctly with their tax affairs	67% March 2006	75% October 2007	72% 2007-08
	including increasing the proportion of applications for VAT registration that are complete and accurate to 50%	28% March 2005	70% October 2007	50% 2007-08
Indicator 5[1]	By 2007-08, increase to at least 85% the proportion of individuals who find their SA Statements of Account, PAYE Coding Notices and Tax Credit Award Notices easy to understand	77.6% November 2004	76.7% November 2006	85% 2007-08
7	Deal effectively and appropriately with information provided, so that levels of contact are kept to a minimum			Slippage
Indicator 6[4]	By 2007-08, increase to at least 95% the rate of accuracy achieved in administering SA, PAYE, Tax Credits, and NICs	91.0% March 2005	93.2% September 2007	95% 2007-08
Indicator 7[5]	By 2007-08, increase to 35% the percentage of SA tax returns received on line	13.2% January 2004	35% January 2007	35% 2007-08
Indicator 8[6]	By 2007-08, increase to 50% the percentage of VAT returns filed online	0.2% March 2004	12% August-October 2007	50% 2007-08

1 Indicators 1, 3 and 5 are measured through an annual customer survey, conducted by telephone with around 19,000 customers in 13 key HMRC customer groups, focusing on customers' actual experience of dealing with HMRC over the past 12 months. 2006-07 outturn scores are calculated as for 2005-06. For indicator 1, scores for individual customer groups are combined into an overall score using baseline weights determined from estimates of contact resource costs. By using baseline (rather than updated) weights, the balance of contact resource cost allocations, whether arising through changes in customer populations, channel usage or internal processes, will not be reflected in the overall scores. For indicators 3 and 5, group scores are combined using current population data. Fixing group weights at baseline values, the score for indicator 3 would be 92.7% and the score for indicator 5 would be unchanged.

2 These are indicative results only and are based on operational management information from the Department's data systems. The Department's internal auditors have reviewed the reliability of this data and have asked for improvements to be made to the consistency with which checks on the quality of post are carried out, and for the telephone results to be weighted to ensure the quota system provides results which are proportionate to business volumes (the weights not to be introduced until 2008-09 to ensure performance data across the current PSA period remains comparable). Margins of error (95% confidence intervals) are +/-0.4%. In the HMRC Departmental Report 2007 (cm7107) we reported an unvalidated and indicative performance of 93% as at March 2007. Following further validation work on the post element of this indicator (the telephony element remains unvalidated), we now estimate the March 2007 figure to be 92% subject to margins of error of +/-0.6% (95% confidence intervals). Debt management post quality results (not included above) are currently being validated.

3 Details of the baseline and targets for Indicator 4 are being published in a revised Technical Note. Individual targets for VAT, ITSA and PAYE are indexed to carry an equal share of the progress against the target. For the overall score the margins of error (95% confidence interval) are +/- 0.3%. VAT Registration data is for April-October 2007. Margins of error (95% confidence intervals) are +/-1.5%. Measurement method for VAT changed in 2006 to address concerns about its robustness. For ITSA 'on time' is taken as close of play on 1 February after which penalties can be imposed (as with PSA target 4). For PAYE 'on time' is based on period of grace covered by ESCB46, where penalties will not be charged provided returns are received on or before the last business day within seven days following the statutory filing date.

4 Indicator 6 combines results for four processes weighted throughout the reporting period by resource costs for the four relevant customer groups in the baseline year.

5 Indicator 7 baseline has been revised to clarify that returns counted against this measure are both online and filed on time. 'On time' is taken as close of play on 1 February after which penalties can be imposed (as with PSA target 4).

6 Indicator 8 results are based on the proportion of VAT returns filed online in the final quarter of the year and results for 2007-08 will be reported in the Departmental Report 2008. While the results shown above are for the latest 3 month period available - August, September and October 2007 - they are illustrative only and no guarantee that final results will be similar.

Objective III: Strengthen frontier protection against threats to the security, social and economic integrity and environment of the United Kingdom in a way that balances the need to maintain the UK as a competitive location in which to do business.

Target		Baseline	Latest Assessment	Target
8	By 2007-08 to improve our capability to intervene at the frontier			On course
8.1[1]	Number of seizures of prohibited and restricted goods			
	Cocaine	1,176 seizures 2,600kgs 2005-06	662 seizures 1,672kgs September 2007	1,176 seizures 2,600kgs March 2008
	Heroin	61 seizures 700kgs 2005-06	24 seizures 312kgs September 2007	61 seizures 700kgs March 2008
	Products of Animal Origin	32,703 seizures, 237,703kgs 2005-06	14,011 seizures 89,989kgs September 2007	32,703 seizures 237,703kgs March 2008
8.2[2,3]	% of positive outcomes against requests received for interventions	98%	98% September 2007	98% March 2008
	% of positive outcomes against requests received for checks/enquiries	96%	94% September 2007	96% March 2008
8.3	Service Level Agreements with lead government departments for prohibited and restricted goods. By March 2007 to have SLAs in place; by March 2008, fulfilment of agreements	N/A	28 in place March 2007	28 fulfilled March 2008
8.4	Effectiveness of Cyclamen capability (in line with the Service Level Agreement with the Home Office to intercept a proportion of vehicles triggering an alarm)	97%	99.8% September 2007	98% March 2008
9	By 2007-08 to improve our effectiveness by 50% in identifying irregularities in third country freight.			On course
		18%	29% September 2007	27% March 2008
10	Maintain the extent to which importers, exporters and their agents believe we are striking the right balance between frontier protection and maintaining the UK as a competitive location in which to do business.			Ahead
		+24%	+46	+24
		Lead of positive over negative responses (percentage points)		
			March 2007	March 2008

1 Results for this target are provisional.
2 When setting the target we had no means of estimating the number of requests for assistance we would receive from SOCA (our priority) and the impact of these requests on our ability to meet this target. We continue to work closely with partner agencies, particularly SOCA, to ensure there is an appropriate and effective flow of information to enable HMRC to maximise its ability to intervene at the frontier.
3 Provisional figures. Final agreement on the baseline and target for 2007-08 is in progress and will be reported in HMRC's Annual Report.

Section 3: Our Efficiency Programme

We are on track to deliver our 2004 Spending Review Efficiency targets. Full-time equivalent (FTE) post reductions have been enabled by Change and Transformation programmes, and the merger and development of internal corporate services. As at 30 September 2007 we reported efficiency savings of 13,940 FTEs, exceeding the target reduction of 12,500 FTEs by 31 March 2008. In addition, we had also redeployed 3,325 FTE posts to frontline activities, these include combating tax and excise fraud to help safeguard revenues and the strengthening of our frontier controls. Together this is a gross reduction of 17,265 FTE efficiencies, against the 31 March 2008 target of 16,000.

We also expect to exceed our financial savings target of £507 million from 31 March 2008, and to achieve our Lyons relocation target of 1,950 posts by this date. Overall progress on our efficiency targets as at the end of June 2007 and the end of September 2007 is shown in the tables below.

Efficiency targets

FTE Staff In Post Information

Efficiency	Baseline	Latest reported position	Previously Reported	Target
			Outturn	
	1 April 2004	Q2 2007-08	Q1 2007-08	31 March 2008
Target 1. Reduction in full-time equivalent (FTE) staff	**FTE staff**			
Overall gross FTE staff	97,755[1]	83,815[2]	85,623[2]	85,255
Overall net FTE reduction		13,940[3]	12,132	12,500
FTE redeployed to front-line activities		3,325	3,213	3,500
Overall gross FTE staff reduction		**17,265**	**15,345**	**16,000**

1 This has been revised from the original published baseline for 1 April 2004 of 98,270 following Machinery of Government changes and changes in definition for published data in respect of sick absences and maternity leave. These changes do not affect the targets or scale of the efficiencies HMRC will achieve.
2 These figures are less than the overall Departmental staff in post figure to reflect the deployment of extra staff needed to increase Contact Centre capacity. This is a 'new policy burden', which is outside the scope of the Efficiency Programme.
3 These figures are reported at 30 September 2007.

Lyons relocations

Lyons Relocations	Latest reported position	Previously Reported Outturn	Target
	Q2 2007-08	Q1 2007-08	31 March 2008
To relocate 1,950 FTE posts out of London and the South East by April 2008.	FTE staff		
FTE posts relocated[1]	1,788	1,652	1,950

1 For this and future reporting, we have agreed with the Treasury to include relocations of VOA staff since March 2005.

Section 3

Cumulative financial savings

Financial Savings £m[1]	In Year[2]	Full Year	Full Year Target From 1 April 2008
Progress to date			From 1 April 2008
Q1 2007-08[3]	388	465	507
Q2 2007-08	439[4]	521	507

1 As described in the HMRC Efficiency Technical Note (first published in October 2004 and updated in December 2005) financial savings arising from FTE reductions are calculated using an appropriate average annual salary (including superannuation and national insurance contributions). This is weighted to take account of the Departmental population by band/grade.
2 The Treasury monitors progress on an in year measurement methodology. The above tables set out the relationship between that in year progress and forecast final delivery against HMRC's full year target at the end of SR04.
3 All figures will be subject to internal/external audit.
4 In accordance with Treasury guidance on data maturity, £388m savings are classified as final and £51m savings are classified as interim as at 30 September 2007.

The 2004 Spending Review Efficiency Programme laid the foundation for an efficiency agenda within HMRC. This is not just about staff numbers, it incorporates how we conduct our business and interact with our customers. Efficiencies have been derived from the merger of corporate functions and operational activities and targeting resources using risk based assessments. The Department uses an agreed set of Quality Measures to provide assurance that there is no detrimental impact on performance as efficiency savings are being realised. These are drawn from key business areas, for example Compliance and Processing. We have also instigated a major change programme that has already delivered efficiencies in 2005-06 and 2006-07. The Departmental Transformation Programme will manage an investment of over £1.4 billion between 2007-08 and 2010-11 to deliver further efficiencies, increase revenue yield, and take forward our ambition for greater customer focus. More information on the Transformation Programme is contained in Section 1.

Our Workforce Change programme is designed to ensure that we achieve the right people in the right place with the right skills, and to assess the opportunities to reduce the size of our estate.

By centralising more of our work and workforce we will conduct our business more efficiently and at lower cost. Staff reductions have been managed through natural wastage, a restricted approach to recruitment, management of fixed term appointments, and the use of exit schemes that provide good value for money. As at the end of September 2007, 3,911 staff had left the Department under approved early retirement schemes. Furthermore, 111 staff had left the Department under a Public Sector Release Scheme in order to re-train for a role in the public sector such as teaching or nursing.

Last year we gave an assurance to the Trade Unions that there would be no compulsory redundancies or compulsory moves that required a move of home, before September 2007. Whilst it remains our intention to continue to avoid compulsory redundancies where this proves practical, the level of uncertainty over our future staffing structure means that assurances cannot simply be rolled forward for another period.

On current plans, we will employ approximately 25,000 fewer people by 2011 than we did on 1 April 2004. This covers the 12,500 net reduction target set for the 2004 Spending Review period and an estimated further 12,500 posts to support delivery of the 5% year-on-year efficiency saving and deliver over £670m annual net cash releasing savings by 2010-11 as required by the 2007 Comprehensive Spending Review settlement. We will therefore need to align our accommodation with our future customer and business requirements.

"The Workforce Change regional review programme aims to achieve the best overall match between our accommodation and future staffing and skills needs."

The merger of the two former revenue departments created surplus capacity and this, together with reducing staff numbers, provides scope to reduce our estate portfolio by up to 40%. This will be achieved principally by utilising flexibility provisions within the STEPS PFI contract, and through sub-letting surplus accommodation to other government departments. The flexibilities within the contract enable us to vacate space no longer needed at either zero or minimum cost, which will be factored into the business case on deciding to vacate a particular property.

The Workforce Change regional review programme aims to achieve the best overall match between our accommodation and future staffing and skills needs. We estimate savings of up to £100 million per annum on projected estate running costs by 2011 by giving up office space that is not needed. This will allow us to invest in customer service and other improvements set out in the Departmental Transformation Programme.

As at 30 September 2007, we had closed, part vacated or sub-let 145 properties since the merger of the two former revenue departments. These changes removed 108,121m^2 of office space from the Departmental portfolio worth £22.8 million in annual running cost savings. We are on track to exceed our 2004 Spending Review target of £32.4 million in annual estates running costs savings by 31 March 2008.

As well as rationalising the estate, we are investing in key properties in major centres throughout the UK to increase capacity and use. This will facilitate business transformation plans and support the wider Government High Performing Property and Sustainability agendas.

The Department is committed to the relocation of 1,950 posts outside London and the South East by 31 March 2008, and a further 2,300 posts by 31 March 2010. We had relocated 1,788 posts by 30 September 2007, including 87 Valuation Office Agency posts. We are confident that the balance of this Phase I target is not at risk.

Section 4: Statistical Tables

Table 1: Cost of collection

(pence per £ collected)	2002-03	2003-04	2004-05	2005-06	2006-07
Income Tax	1.41	1.36	1.34	1.27[1]	1.25[2]
Corporation Tax	1.15	1.24	0.96	0.71	0.79
Petroleum Revenue Tax	0.26	0.18	0.22	0.13	0.12
Capital Gains Tax	2.73	2.09	1.95	0.92	0.85
Inheritance Tax	1.38	1.21	1.14	1.01	0.85
Stamp Taxes[3]	0.17	0.42	0.44	0.20	0.13
National Insurance Contributions (NICs)	0.66	0.49	0.44	0.42	0.35
VAT	-	-	-	0.55	0.60
Insurance Premium Tax	-	-	-	0.14	0.26
Hydrocarbon Oils	-	-	-	0.16	0.19
Alcohol	-	-	-	0.54	0.67
Tobacco	-	-	-	1.83	2.26
Gambling Taxes	-	-	-	0.29	0.34
Environmental Taxes	-	-	-	0.26	0.34
Air Passenger Duty	-	-	-	0.05	0.09
International Trade	-	-	-	6.07	5.88
Overall Cost (pence per £ collected)	1.11	1.04	0.97	1.11	1.13
Tax Credits (pence per £ paid)	2.21[4]	3.03	3.02	2.78	3.42
Child Benefit & Child Trust Fund	-	0.64	1.05	1.17[5]	1.07

1 Includes the combined ratios for Income Tax PAYE & Income Tax SA - separately the ratios are IT PAYE 0.79 & IT SA 3.43. The separate ratios have been restated to take account of a refinement in methodology from that used last year to produce these ratios.
2 Includes the combined ratios for Income Tax PAYE & Income Tax SA - separately the ratios are IT PAYE 0.74 & IT SA 4.46.
3 2003-04 ratio was affected by temporary manual processing prior to the introduction of automated processing of SDLT forms.
4 Excludes costs of preparing for new tax credits, if these are included, the ratio rises to 4.58 pence per £ paid.
5 The 2005-06 ratio was affected by the one-off additional cost of processing the backlog of Child Trust Fund applications for children born between September 2002 and March 2005.

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Table 2: Yield/Cost Ratios

Network Offices	2004-05	2005-06	2006-07
Full Enquiry Work:-			
Corporation tax enquiries	2.6:1	2.9:1	3.1:1
Self Assessment business enquiries	1.6:1	1.9:1	2.0:1
Aspect Enquiry Work			
Corporation tax enquiries	12.9:1	14.0:1	12.4:1
Self Assessment business enquiries	3.4:1	3.6:1	4.3:1
Employer reviews	3.7:1	4.5:1	4.4:1
Construction Industry Reviews[1]	-	-	5.1:1
Other			
Self Assessment non-business enquiries	8.3:1	7.8:1	15.1:1
Specialist Offices			
Large Business Service:-			
Corporation Tax	71:1	62:1	92.5:1
Employer Compliance	6.9:1	7.2:1	15.1:1
Petroleum Revenue Tax	15.6:1	17.8:1	5.3:1
Special Civil Investigations	56.2:1	71:1	98:1
Stamp Taxes	12:1[2]	13:1	N/A
Charity Assets and Residency businesses[3]	N/A	N/A	24:1

1 Construction Industry (CIS) reviews separately identified from 2006-07
2 Stamp Duty Land Tax, as a new self assessed tax with tightened legislation, means that yield/cost ratios of tackling non-compliance and the compliance yield from 2004-05 are not directly comparable to the intervention yield from Stamp Duty on land and property in earlier years.
3 Charity Assets and Residence businesses include Trusts, Charities, Inheritance Tax, Savings and Pensions and Residency issues. Yield/cost ratios not reported in previous years.

Table 3: Results of tackling non-compliance (£m)

Network Offices	2003-04	2004-05	2005-06	2006-07
Additional tax, interest and penalties:				
Company enquiries				
full	92.0	91.8	109.2	131.5
aspect	490.8	523.0	648.4	702.2
Self Assessment enquiries				
business full	173.1	185.1	211.2	264.8
business aspect	82.4	86.5	96.8	150.5
non-business	212.3	248.8	268.1	667.4[1]
Employer reviews[2]	281.1	312.9	367.7	401.7
Construction Industry reviews[3]	-	-	-	56.0
Hidden Economy	-	-	49.9	52.3
Broader Coverage	-	-	103.9	584.1[4]
Pre Self Assessment Intelligence work[5]	21.4	35.8	-	-
Late filing penalties	89.9	87.9	92.8	84.0
Total additional liability	**1,443.0**	**1,571.8**	**1,948.0**	**3,094.5**

Specialist Offices	2003-04	2004-05	2005-06	2006-07
Large Business Service:-				
- Corporation Tax	1,818[6]	2,315[7]	2,159[8]	3,090[9]
- Employer Compliance	51.7	53.5	62.2	104.9
- Petroleum Revenue Tax	33.4	27.5	23.7	6
National Teams and Special Civil Investigations[10]	387.7	1,035.0	1,065.0[11]	2,618.0
Stamp Taxes	35.6	8.7	14.0	-
Charity, Assets and Residence businesses[12]	187.8	223.2	385.2	253.7

1 Increase was due to resolution of a number of large and exceptional Employee Benefit Trust cases
2 2005-06 Employer reviews yield reduced by £9.1m as this was double counted erroneously in last years report.
3 Construction industry (CIS) yield separately identified from 2006-07. In previous years it was included within Employers reviews.
4 Increase is due to network offices being entitled to record the yield for cases they begin enquiries on that are subsequently passed to NTSCI. Previously the yield from these cases would be reported by SCI.
5 In the 2005-06 Annual Report £38.8m was recorded under Pre SA work but this was already included under Hidden Economy and so has now been amended.
6 Figures for 2003-04 are a consolidation of LBO and EG results prior to merger.
7 For the first time the LBO also reported the Economic Value (i.e. Discounted for the value of time) of adjustments as this method more accurately reflects the value of the work. Adopting this approach, LBO CT Intervention Liability returned at £2,739m. EG reported on the same basis for 2005-06.
8 Adopting the Economic Value approach, LBS CT Intervention Additional Liability returned at £2,744m.
9 CT have deducted £5.78m IT from total of £3,096m
10 For years before 2006-07 data corresponds only to Special Civil Investigations.
11 This includes £291m claimed by other parts of the department.
12 Charity Assets and Residence businesses include Trusts, Charities, Inheritance Tax, Savings and Pensions and Residency issues.

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Table 4: Compliance Assurance

Cases taken up	2006-07 Target	2006-07 Result
Corporation Tax Full	3,424	3,216
Corporation Tax Aspect	28,377	27,242
Income Tax Full	20,687	20,341
Income Tax Aspect	26,854	31,726
Personal	77,401	78,757
Employer's Reviews	18,130	16,993
CIS Reviews	3,777	3,837
Hidden Economy	33,000	35,207

Table 5: Prohibited & Restricted Goods

All seizure figures are provisional and relate to the period indicated on each table.

(a) Products of Animal Origin

(i) Totals

Total number of seizures		Total weight of items seized (nearest kg)	
2006-07 outturn	1 April 2007 to 30 September 2007	2006-07 outturn	1 April 2007 to 30 September 2007
35,121	**14,011**	**221,773**	**89,989**

(ii) Number and weight of seizures by type of animal product

Animal Product	Number of items seized		Weight of items seized (nearest kg)	
	2006-07 outturn	1 April 2007 to 30 September 2007	2006-07 outturn	1 April 2007 to 30 September 2007
Meat	19,222	7,733	73,012 (+20,867 litres)	39,181
Fish	10,543	4,143	65,085	24,430
Dairy	10,445	4,099	67,568 (+42,333 litres)	18,146 (+3,474 litres)
Honey	2,032	848	16,108	8,233

Note: The totals for the number of times each type of animal product is seized exceed the total number of seizures because some seizures involve more than one category of animal product.

(b) Items seized under the Convention on the International Trade in Endangered Species (CITES)

	Number of seizures		Number of items seized		Weight of items seized (kg)	
	2006-07 outturn	1 April 2007 to 30 September 2007	2006-07 outturn	1 April 2007 to 30 September 2007	2006-07 outturn	1 April 2007 to 30 September 2007
Live animals and birds	42	9	1,379	103		
Parts and derivatives of endangered species	154	52	1,370	1,468	20.3	2.001
Ivory	23	6	206	51	3.3	9.7
Plants/timber	44	5	159,153	2,077	42,191	5
Other CITES listed species	104	28	445	146	1,489	550.4
Preparations of oriental medicines which include parts or derivatives of endangered species	74	38	2,286	640	111.8	13

Note:
- CITES seizures are recorded by weight or by number of items seized, according to whichever is the most practical.
- Other CITES listed species include coral, caviar, ginseng and Conch Shells

(c) Plants and plant product subject to plant health controls

	Number of seizures		Number of items		Weight of items seized (kg)	
	2006-07 outturn	1 April 2007 to 30 September 2007	2006-07 outturn	1 April 2007 to 30 September 2007	2006-07 outturn	1 April 2007 to 30 September 2007
Plants and plant products	2,279	1,012	77,178	1,047	25,073	12,485

Note:
- These seizures include plants, products and forestry items which are subject to plant health controls and which are not controlled as CITES species.
- Seizures of live plants are recorded in units.

(d) Pornography and Paedophilia

	Number of seizures		Total number of items seized	
	2006-07 outturn	1 April 2007 to 31 July 2007	2006-07 outturn	1 April 2007 to 31 July 2007
Adult pornographic material	633	352	3,482	5,441
Paedophile material	39	94	283	602

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(e) Firearms, offensive weapons, explosives, fireworks etc.

	Number of seizures		Total number of items seized	
	2006-07 outturn	1 April 2007 to 31 August 2007	2006-07 outturn	1 April 2007 to 31 August 2007
Rifles and handguns	94	35	323	184
Shotguns	16	2	53	3
Parts of firearms	15	11	72	45
Ammunition	29	10	4,479	4,675
Stun guns	202	71	432	208
Self defence sprays	590	181	1,767	695
Knives and other offensive weapons	1,470	668	3,398	1,420
Fireworks, pyrotechnic articles and explosive materials	2	3	29	5

Note:
- Rifles & handguns include automatic weapons, air and gas guns and readily convertible replica guns.
- Other offensive weapons include martial arts weapons, knuckledusters, sword sticks, blowpipes and truncheons.

(f) Other prohibited and restricted goods seized

	Number of seizures		Total number of items seized	
	2006-07 outturn	1 April 2007 to 31 July 2007	2006-07 outturn	1 April 2007 to 31 July 2007
Exports of strategic goods and goods to embargoed destinations	44	6	2,011	56
Ozone depleting substances and Chemical Precursors	1	0	91	0
Radio transmitters	1	0	6	0
Cultural goods	0	2	213	2
Goods breaching intellectual property rights	1,490	722*	3,857,178	1,624,779*
Rough diamonds	2	0	9	0

Note: Strategic Goods are defined as all items on the UK's Military List and Dual-Use goods under EC Regulation 1334/2000 that require export licences. Embargoed destinations are those countries that are subject to UN, EU, OSCE and UK arms embargoes.
* Figures to 30 September 2007.

Table 6: Search of Person

HMRC performs a vital frontline role, protecting society, both in this country and elsewhere, from the harm of prohibited and restricted goods such as Class A drugs. The main aim of this work is to detect and disrupt individuals and organisations that are determined and deliberate in their attempts to evade our controls. Activity is intelligence-led and we employ a targeted risk-based approach, maximising the use of technology in our fight against smuggling organisations.

In the course of this work we can expect to meet a diverse group of people from many ethnic backgrounds in a range of different situations. We aim to demonstrate respect, sensitivity and awareness in all our dealings with those whom we come into contact and ensure that we are always able to justify our actions.

No traveller is profiled on the basis of his or her racial or ethnic appearance. However, risk profiles indicate countries that are assessed as high risk for specific types of prohibited and restricted goods. Travellers from these countries are therefore more likely to be spoken to by an officer and the proportion of people who are then physically searched will tend to reflect the different ethnic backgrounds of those who travel from or to those counties.

In 2005-06, we reported a success rate of 3.26% and 12,663 Search of Persons. This year we have reported a success rate of 4.8% and 8057 Search of Persons. The success rate is increasing steadily and it can now be demonstrated that we are becoming more accurate/successful when selecting passengers for SOP despite a considerable reduction in searches.

Under section 164 of the Customs and Excise Management Act 1979, HMRC has the powers to carry out searches where there are reasonable grounds to suspect concealments of smuggled goods on or within the body.

The different types of search are:

Rubdown: a search of a clothed person's body by hand that can involve the suspect being asked to remove outer garments such as coats, hats, shoes and socks.

Strip Search: a search where the suspect is asked to remove all items of clothing.

Intimate Search: a search of body orifices where packages could be concealed which can only be performed by a doctor but is very rarely used.

To combat drug smugglers who have swallowed drugs packages, we also use:

Enzyme Multiplied Immuno Assay Tests (EMITs): performed on a urine sample obtained from a suspect with their permission, used primarily to check for traces of cocaine or opiates. A positive result suggests that the suspect has swallowed drugs packages.

X-Rays: carried out with the suspect's consent.

Policy in these areas is kept under review in order to maintain a balance between the need to curtail the smuggling of drugs and other illicit goods and the need to protect the rights of travellers.

	2006-07
Total number of persons searched[1]	8,057
Successful[2]	389
Success rate	4.8%

1 This shows the actual number of persons searched and not the number of processes (i.e. where a person may be subject of more than one search type). This is an accurate reflection of our profiling methods.
2 Successful means that prohibited or restricted goods; goods liable to duties; crime related cash or other money instruments; or other items indicating unlawful activity have been found as a result of the search of person.

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Table 6: Search of Person continued

Search by Ethnic Identification Category[1]

Ethnic Category	Number of persons searched	Successful	Success rate	Items/goods of 'Other Customs or Agency' found prior to search of person[2]
Northern European	2,124	102	4.8%	219
Southern European	608	35	5.8%	34
African Caribbean	4,487	196	4.4%	80
Asian	716	45	6.3%	53
Oriental	53	5	9.4%	6
Middle Eastern	69	6	8.7%	8

1 These are standard identification categories used to describe ethnic appearance.
2 These are items/goods described in point 2 above prior to search of person, but not recorded as a success for the purposes of search of person. However, these additional figures help provide a fuller picture of our effectiveness in the search of person(s).

Search Type Conducted

Search Type	2004-05	2005-06	2006-07
Rub-down	9,497	10,890	6,328
Strip	1,520	1,729	1,591
Intimate	6	5	1
EMIT or X-Ray	836	1,604	1,400
Total	**11,859**	**14,228**	**9,320**

Smuggled goods found during search

	2004-05	2005-06	2006-07
Drugs	322	282	222
Other goods/items of interest to HMRC	170	105	138
Other goods/items of interest to other agencies	96	64	40
Total	**588**	**451**	**400**

Rewards

In the financial year 2006-07 we made disbursements from our annual resource allocation totalling £522,146 to recompense non-departmental individuals for information that supported our PSA targets.

Table 7: Detentions & Warrants

In accordance with Article 8(2) of the Police and Criminal Evidence Act 1984 (Applications to HM Customs and Excise), Order 1985 (SI 1985/1800), HMRC publishes statistics on the following:

- the number of persons kept in detention for more than 24 hours and subsequently released without charge, and
- the number of applications for warrants for further detention and the results of the applications.

Detentions and Warrants Applications	2005-06	2006-07
Number of persons:		
Detained after arrest[1]	2,547	2,709
Detained for more than 24 hours and subsequently released without charge[2]	11	15
Number of persons for whom warrants for further detention were:		
Applied for	41	79
Granted*	41	79
***In this instance, the number of persons:**		
Charged	41	79
Released on payment of a compound settlement	0	4
Number of persons:		
Charged	1,476	1,319
Released on payment of settlement	66	6
Released for other reasons	744	651

1 These are the number of individuals were custody has been granted by the Custody Officer (Police Sergeant) at an HMRC Custody Suite or Police Station.
2 Includes those bailed and then subsequently released.

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Table 8: Excise Fraud

Tobacco[1]

Revenue Loss[2]	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total Fraud and smuggling	£2.5-£4.1bn	£2.0-£3.3bn	£2.4-£3.8bn	£1.9-£3.5bn	£1.6-£3.2bn	-[3]
Fraud and smuggling - Hand Rolling Tobacco (HRT)	£0.5-£0.9bn	£0.5-£0.9bn	£0.5-0.8bn	£0.7-£1.0bn	£0.6-£0.9bn	-[3]
Fraud and smuggling - cigarettes	£2-£3.2bn	£1.5-£2.4bn	£1.9-£3bn	£1.2-£2.5bn	£1.0-£2.3bn	-[3]
Cigarette illicit market share	16%-24%	12%-18%	15%-21%	10%-19%	8%-18%	-[3]
Total legal cross border shopping of which:[4]	£1.2bn	£1.4-£1.5bn	£1.4bn	£1.1-£1.3bn	£1.1-£1.2bn	-[3]
HRT	£0.2bn	£0.2-£0.3bn	£0.2bn	£0.1-£0.2bn	£0.1-£0.2bn	-[3]
Cigarettes	£1.0bn	£1.2bn	£1.2bn	£1.0bn	£1.0bn	-[3]
Cigarettes						
Total consumed of which:	72.0-79.5bn	70.0-75.0bn	71.0-77.0bn	64.5-71.5bn	59.5-66.5bn	-[3]
UK duty paid	54.5bn	54.5bn	54.0bn	52.5bn	49.5bn	-[3]
Legally cross border shopped	6.0bn	7.0bn	6.5bn	5.5bn	5.0bn	-[3]
Cigarettes successfully smuggled	11.5-19.0bn	8.5-13.5bn	10.0-16.5bn	6.5-13.5bn	5.0-12.0bn	-[3]
Total seized of which:[5]	2.6bn	1.9bn	1.8bn	2.0bn	2.0bn	1.9bn
Overseas seizures	919m	641m	728m	1,008m	837m	580m
Air seizures	284m	263m	207m	243m	343m	367m
Inland seizures	227m	186m	201m	130m	177m	256m
Maritime seizures	1,128m	787m	621m	588m	673m	686m
Cross channel passenger seizures	38m	21m	22m	22m	18m	17m
Number of cross channel seizures	10,685	5,506	5,632	5,217	4,377	4,236

Proportion of cigarette seizure by brand

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Counterfeit[6]	-	41%	54%	48%	51%	70%
Genuine UK Brands	-	31%	28%	31%	18%	17%
Of which:						
Benson and Hedges	19%	-	-	-	10%	10%
Dorchester	-	-	16%	16%	13%	5%
Regal	22%	10%	-	-	-	-
Sovereign	12%	40%	58%	25%	26%	8%
Superking	25%	24%	9%	22%	19%	1%
Marlboro[7]	-	-	-	-	-	18%
Mayfair[7]	-	-	-	-	-	32%
Other UK	22%	26%	16%	37%	11%	25%
Other (including non-UK brands)	-	28%	18%	20%	31%	13%
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
HRT illicit market share	47%-63%	47%-62%	44%-60%	52%-63%	50%-62%	-
HRT Seized	385 tonnes	258 tonnes	185 tonnes	166 tonnes	160 tonnes	228 tonnes

Other outputs/results	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Tobacco gangs disrupted	60	87	69	68	46	26
Number of people sentenced	431	331	429	204	262	299
Average sentence	17 months	17 months	14 months	23 months	17 months	27 months
Benefits determined by the court	£44.98m	£146.41m	£181.25m	£24.2m	£21.4m	£18.8m
Confiscation orders	£3.63m	£2.3m	£9.45m	£5.2m	£6.1m	£3.18m
Vehicles seized	11,064	8,616	6,848	6,093	6,256	6,293

Scanner Detections						
Cigarettes	325m	399.5m	394m	295m	295m	311.9m
HRT	12.6 tonnes	30.8 tonnes	18.2 tonnes	18.6 tonnes	10.9 tonnes	15.9 tonnes
Cannabis	9.3 tonnes	14.9 tonnes	10 tonnes	22.3 tonnes	7.2 tonnes	8.5 tonnes
Heroin	46kg	413.5kg	408kg	163.5kg	0	41kg
Cocaine	not available	579kg	122kg	28kg	15kg	83.8kg
Ecstasy/amphetamines	160kg	0kg	1,170kg	371kg	709kg	0kg
Clandestines	470	1,193	494	361	210	94

1 All estimates of fraud/illicit market share and smuggling and cross border shopping have been revised as a result of improved methodology and data. 2006-07 data not available until next year.
2 Figures include duty and VAT.
3 Not yet available.
4 Includes EU duty paid and VAT.
5 For 2002-03 individual seizures of over 500,000 (76% of all seizures in the UK)
6 For 2006-07 the number of counterfeit cigarettes only includes UK brands. This data is also a snapshot from October 2006 to August 2007 and only includes seizures of over 100,000.
7 Marlboro and Mayfair brands previously included in Other UK.

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Alcohol[1]

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue not collected[2]						
Total spirits fraud/smuggling	£0-£600m	£0-£500m	£0-£600m	£0-£250m	£0m-£400m	-[3]
Spirits cross border shopping[4]	£150m	£150m	£150m	£150m	£100m	-[3]
Beer cross border shopping	£50m	£50m	£50m	£50m	<£50m	-[3]
Wine cross border shopping	£200m	£150m	£150m	£150m	£150m	-[3]
Illicit market share						
Spirits	0-17%	0-14%	0-15%	0-7%	0-10%	-[3]
Gangs disrupted	5	2	24	4	2	0
Seizures						
Spirits (litres)	2,149,667	922,423	407,858	303,252	237,904	384,078
Beer (litres)	2,613,992	2,952,528	2,773,385	2,179,932	2,522,253	1,915,173
Wine (litres)	612,052	653,657	1,134,567	629,034	292,945	303,048
Criminal Prosecutions						
Spirits – number of people prosecuted	Not available	9	24	7	9	5
Number of convictions	Not available	7	21	0	9	5
Mixed cases – number of people prosecuted	Not available	99	62	1	0	0
Number of convictions	Not available	91	34	0	0	0

1 All spirits fraud estimates/illicit market share have been revised as a result of improved methodology and data. However, 2006-07 data will not be available until next year.
2 Estimates are independently rounded to the nearest £50m.
3 Not yet available
4 Cross border shopping estimates are for EU duty paid goods only.

Oils[1]

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Loss – GB[2]						
Total Diesel (non UK duty paid)[3]	£1,050m	£1,000m	£1,000m	£950m	£750m	-[4]
Illicit Diesel (fraud and smuggling)	£750m	£650m	£650m	£550m	£350m	-[4]
Cross border shopping diesel	£300m	£350m	£350m	£400m	£400m	-[4]
Total petrol (non UK duty paid)	£400m	£250m	-	-	-	-
Revenue Loss – NI						
Total	£270m	£270m	£280m	£240m	£270m	-[4]
Total Diesel (non UK duty paid)	£210m	£210m	£220m	£190m	£210m	-[4]
Total petrol (non UK duty paid)	£60m	£60m	£60m	£50m	£60m	-[4]
Market Share – GB						
Diesel (illicit)	6%	5%	5%	4%	2%	-[4]
Petrol (non UK duty paid)[5]	2%	2%	-	-	-	-[4]
Market Share – NI						
Diesel (non UK duty paid)	58%	53%	51%	42%	43%	-[4]
Petrol (non UK duty paid)	18%	18%	18%	13%	14%	-[4]
Total oils seized	3.95m litres	4.03m litres	2.48m litres	2.50m litres	1.51m litres	1.17m litres
Volume seized – GB	2.2m litres	2.44m litres	0.96m litres	0.72m litres	0.43m litres	0.33m litres
Volume seized – NI	1.75m litres	1.59m litres	1.52m litres	1.78m litres	1.08m litres	0.84m litres
Laundering plants						
Total disrupted	38	46	31	26	37	34
GB	30	25	18	8	21	16
NI	8	21	13	18	16	18
Mixing plants						
Total disrupted	2	7	4	-[6]	-[6]	-[6]
GB	2	4	1	-[6]	-[6]	-[6]
NI	0	3	3	-[6]	-[6]	-[6]
Gangs Disrupted						
GB	12	13	11	4	2	2
NI	7	1	2	5	2	2
Challenges						
Total	16,313	29,302	84,700	108,773	119,733	112,391
Commercial	not available	not available	60,022	80,137	80,564	80,220
Non commercial	not available	not available	24,678	28,636	39,169	32,171
Detections						
Total	3,340	3,960	3,753	3,760	3,747	4,143
Commercial	not available	1,801	2,043	2,228	2,002	2,231
Non commercial	not available	2,159	1,710	1,532	1,745	1,912

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Assessments						
Fraud detected and identified	£8.3m	£13.2m	£11.5m	£7.0m	£3.1m	£2.5m
Prosecution figures GB[7]						
Number of convictions	9	8	17	12	17	13
Average sentence	16 months	14 months	14 months	15 months	16 months	28 months
Confiscation orders	£660,000	£374,000	£167,387	£125,350	£272,311	£1.48m
Prosecution figures NI						
Number of convictions	15	3	4	nil	4	4
Average sentence	16 months	8 months	7 months	nil	2 months	6 months
Confiscation orders	nil	£250,000	nil	nil	nil	-
Vehicles seized in NI	684	1,576	901	812	956	1,199

1 All estimates of non duty paid consumption have been revised as a result of improved methodology and data. 2006-07 data will not be available until next year.
2 Estimate includes duty and VAT. As VAT is assumed lost on all non UK duty paid consumption, this assumption will over state the actual revenue loss. Non UK duty paid includes both legitimately cross border shopped and illicit consumption.
3 Figures have been independently rounded to an appropriate degree of accuracy. As a result components may not appear to sum to totals.
4 Not yet available
5 - Indicates a negligible figure.
6 Mixing plants are now included in the laundering plant figure as mixing plants are no longer recorded separately.
7 2005-06 data revised due to improved methodology and data.

Glossary

ANPR	Automatic Number Plate Reader
APD	Air Passenger Duty
BIA	Border and Immigration Agency
BMP	Border Management Programme
CGT	Capital Gains Tax
CIS	Construction Industry Scheme
CSR07	Comprehensive Spending Review 2007
CSS	Customer Service Survey
DSO	Departmental Strategic Objective
DTP	Departmental Transformation Programme
EU	European Union
FTE	Full Time Equivalent
HMRC	Her Majesty's Revenue & Customs
HRT	Hand Rolling Tobacco
IHT	Inheritance Tax
IPR	Intellectual Property Rights
IT	Information Technology
ITSA	Income Tax Self Assessment
LBS	Large Business Service
MTIC	Missing Trader Intra Community
NICs	National Insurance Contributions
PAYE	Pay As You Earn
PBR	Pre-Budget Report
PFD	Portfolio Finance Director
PFI	Private Finance Initiative
PSA	Public Service Agreement
RCPO	Revenue & Customs Prosecutions Office
RDCO	Registered Dealers in Controlled Oils
SA	Self Assessment
SLA	Service Level Agreement
SOCA	Serious Organised Crime Agency
SR04	Spending Review 2004
STA	Service Transformation Agenda
STEPS	Strategic Transfer of Estate to the Private Sector
VAT	Value Added Tax
VOA	Valuation Office Agency
VTTL	VAT Theoretical Tax Liability

Notes

Notes

Your feedback

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