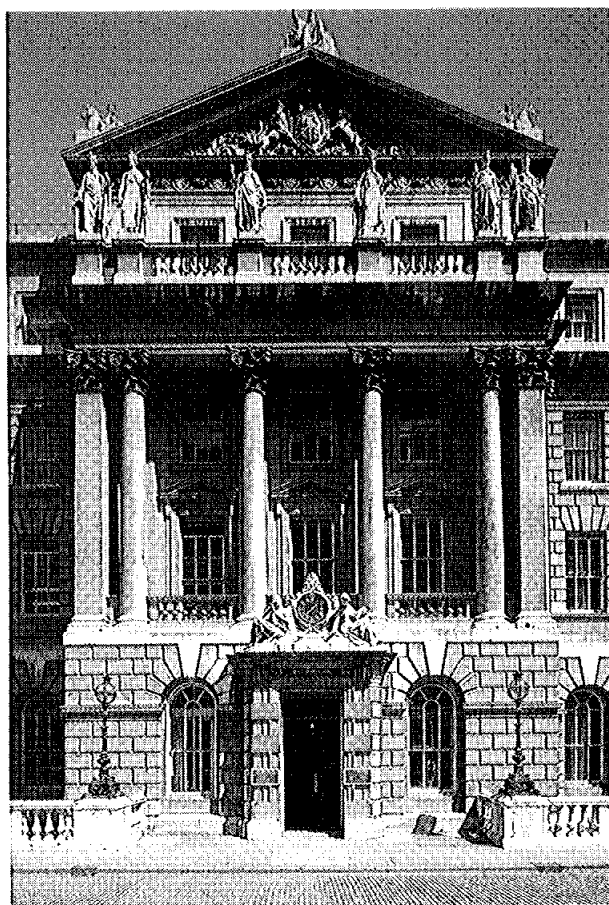




BOARD OF INLAND REVENUE

REPORT FOR THE YEAR ENDING
31st MARCH 1993



ONE HUNDRED AND THIRTY FIFTH REPORT

LONDON : HMSO



REPORT OF THE COMMISSIONERS OF HER MAJESTY'S
INLAND REVENUE

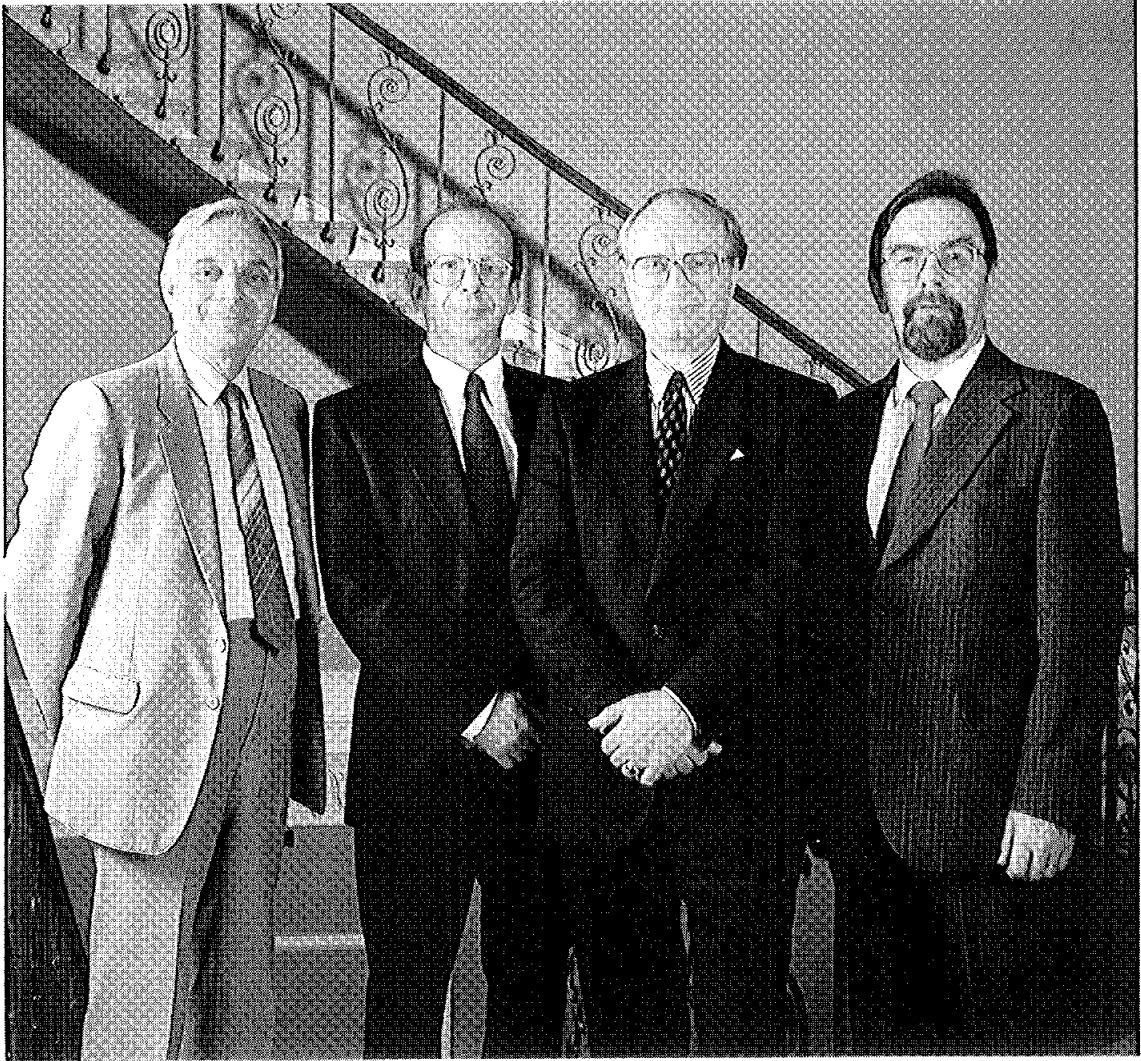
FOR THE YEAR ENDING 31st MARCH 1993
ONE HUNDRED AND THIRTY FIFTH REPORT

*Presented to Parliament by the Financial Secretary to the Treasury
by Command of Her Majesty
September 1993*

LONDON : HMSO

Cm. 2328

THE BOARD OF INLAND REVENUE



from left to right
Leonard Beighton, Clive Corlett, Sir Anthony Battishill, and Steve Matheson.



ONE HUNDRED AND THIRTY FIFTH REPORT

TO THE LORDS COMMISSIONERS OF HER MAJESTY'S TREASURY

*We have the honour
to submit our report
for the year ending
31 March 1993*

Signed

A. M. W. Battishill

A handwritten signature in dark ink, appearing to read "A M W Battishill", written over a horizontal line.

L. J. H. Beighton

A handwritten signature in dark ink, appearing to read "L J H Beighton", written over a horizontal line.

S. C. T. Matheson

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C. W. Corlett

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Somerset House
September 1993

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FOREWORD

By Sir Anthony Battishill KCB, Chairman


This is the one hundred and thirty-fifth Annual Report of the Board of Inland Revenue. It covers the Department's work and operational performance for the year ended 31 March 1993.

Our last report announced a substantial programme of change for the Inland Revenue designed to improve our efficiency and effectiveness and to enable us to provide a high quality service to taxpayers. I am happy to say that this programme is now successfully in train. The first reorganisations of tax and collection offices are under way, designed to put in place an office structure better suited to the needs of the Department and taxpayers in the 1990s. We now have one unified staff structure for all the Department (except in the Valuation Office Agency) in which grades have been abolished. In their place, new pay and performance management systems have been introduced. Planning work has begun in preparation for the introduction of the new system of simplified assessing for personal income tax which was announced in the last Budget to begin in four years' time.

I am also glad to note that our report records a year of very satisfactory performance against the operational targets and objectives set for the Inland Revenue for 1992-93 in the day to day running of the tax system. Last year, staff in tax offices achieved the best recorded overall results for their annual cycle of work and performed extremely well against targets which measure their service to the tax-paying public. Collection offices similarly met almost all their operational targets despite the difficult economic conditions for all organisations involved in debt collection. The yield from the Inland Revenue's compliance work came to £4.6 billion, the second highest figure ever, and equivalent to nearly 3p on the basic rate of income tax. Finally, the Valuation Office Agency, in partnership with private sector surveyors, successfully completed on time the huge task involved in banding all dwellings in England and Wales ready for the introduction of the council tax last April.

I believe these results are a tribute to the hard work and professionalism of staff in the Inland Revenue.

Much still remains to be done to achieve the highest quality of performance and service to taxpayers that everyone in the Department wishes to see. We have appointed Elizabeth Filkin as our first Adjudicator to examine complaints from taxpayers and ratepayers whom we are unable to satisfy ourselves. We are embarking, with the appointment of a Director of Quality Development, on a programme to make a real improvement in the quality of everything we do. I am confident that as this programme gets under way, taxpayers will notice further improvements in the level of service.



A handwritten signature in dark ink, appearing to read 'A. Battishill', with a horizontal line underneath.

OVERVIEW OF 1992/93

The Board's one hundred and thirty-fifth Annual Report to Parliament covers the year ended 31 March 1993. It reports the Department's performance against the plans set out in the Inland Revenue Operating Plan 1992/93. This overview covers the main results.

RECEIPTS AND COSTS

Total Inland Revenue receipts fell by 4.5% to £76.1 billion in 1992/93. Net Departmental running costs were £1,588.1 million, a little less than in 1991/92 when capital expenditure, including that on repayment offices, was at a higher level.

The cost of collecting Inland Revenue taxes, as a percentage of yield, was 2.09% compared with 2.06% in 1991/92. The increase of 0.03 pence in the pound reflects the reduction in yield experienced in the recession.

PROCESSING AND RECOVERY WORK

Tax Offices

Performance on the main processing activities in tax offices is now just about as fast as it can be under the existing system:

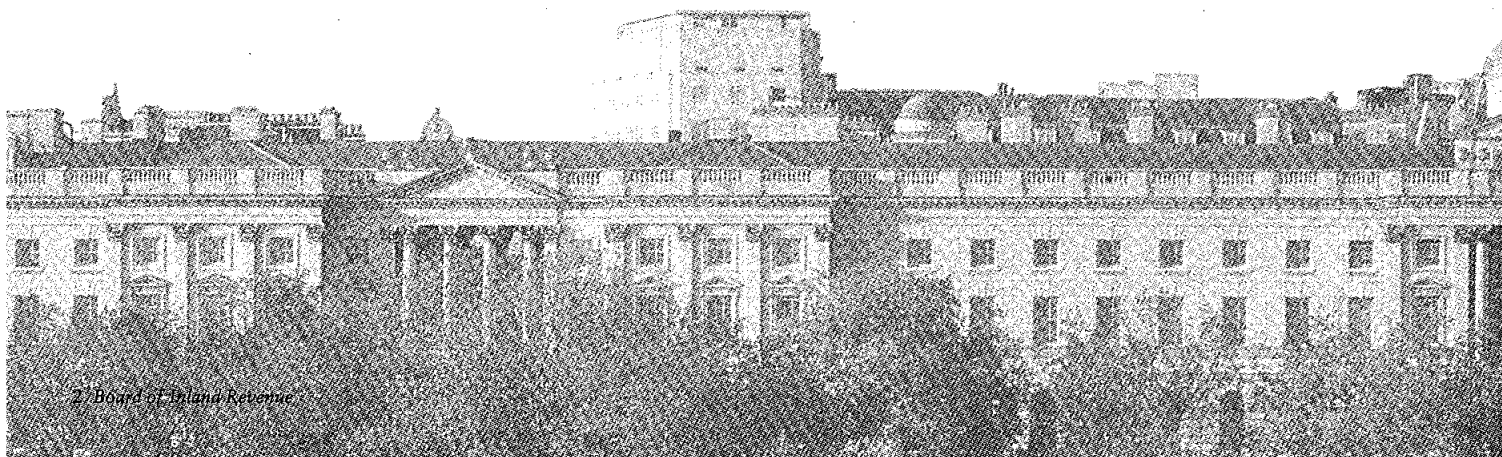
- Virtually all the self-employed are now assessed on time. The exceptions are those businesses (about 2.5% of the total) which disappear from sight for one reason or another despite efforts to keep track of them;
- apart from those Schedule E taxpayers with the most complex affairs, the tax position of nearly all of the others (99.6% against a target of 97%) is now checked in the same year as details of their pay and the tax deducted under PAYE are received from their employers;
- as a result of a 50% improvement on the position in 1991/92 (against a targeted improvement of 8%), the incidence of late corporation tax assessing has largely been eliminated.

Collection Offices

General credit conditions and the difficult economic climate meant that 1992/93 was not an easy year for debt collecting. Nevertheless, the collection service managed to keep 98% of the largest employers – on whom collectors concentrate their efforts – and 90% of all employers up to date with their monthly payments. This compares with targets of 96% and 88% respectively. The target for collecting assessed tax was narrowly missed (with 86.7% of collectible assessed taxes collected by the “balance date” at the end of October against a target of 87.1%).

Capital Taxes Offices

New inheritance tax cases received in the office for England, Wales and Northern Ireland were 10% less than forecast because of the increase in the threshold and the fall in property values. Cases settled were 6% below forecast but productivity was close to target. Overall, there was a catching up on a backlog of old cases and a general improvement in the workstate of the office, despite the major upheaval caused through moves of staff and work to Nottingham from the main office in London.



The Stamp Office

The office dealt with 99.7% of documents and correspondence within 20 working days, against a target of 99%. Overall unit costs were reduced and targets for running costs, manpower and productivity were also exceeded.

Oil Taxation Office

All necessary petroleum revenue tax and corporation tax assessments were made on time. In addition, compliance yield from the office's technical review work amounted to £535 million. The office also met or exceeded almost all of its operating targets.

Valuation Office Agency

The Agency successfully completed the valuation banding of all dwellings in England and Wales ready for the introduction of council tax on 1 April 1993. The number of appeals (over 350,000) settled on non-domestic ratings was a record.

COMPLIANCE

The Department does not set targets for yield, and performance is generally based on targets for the numbers of investigations that are settled and the quality of the work done. These include the size and intrinsic difficulty of the enquiry. These targets were generally met. The overall result for the Exchequer was an estimated direct yield from our compliance activities of £4.6 billion – broadly equivalent to nearly 3 pence on the basic rate of income tax. This was less than the £4.9 billion in 1991/92, but still significantly more than in any other previous year despite the difficult economic conditions.

TAX POLICY

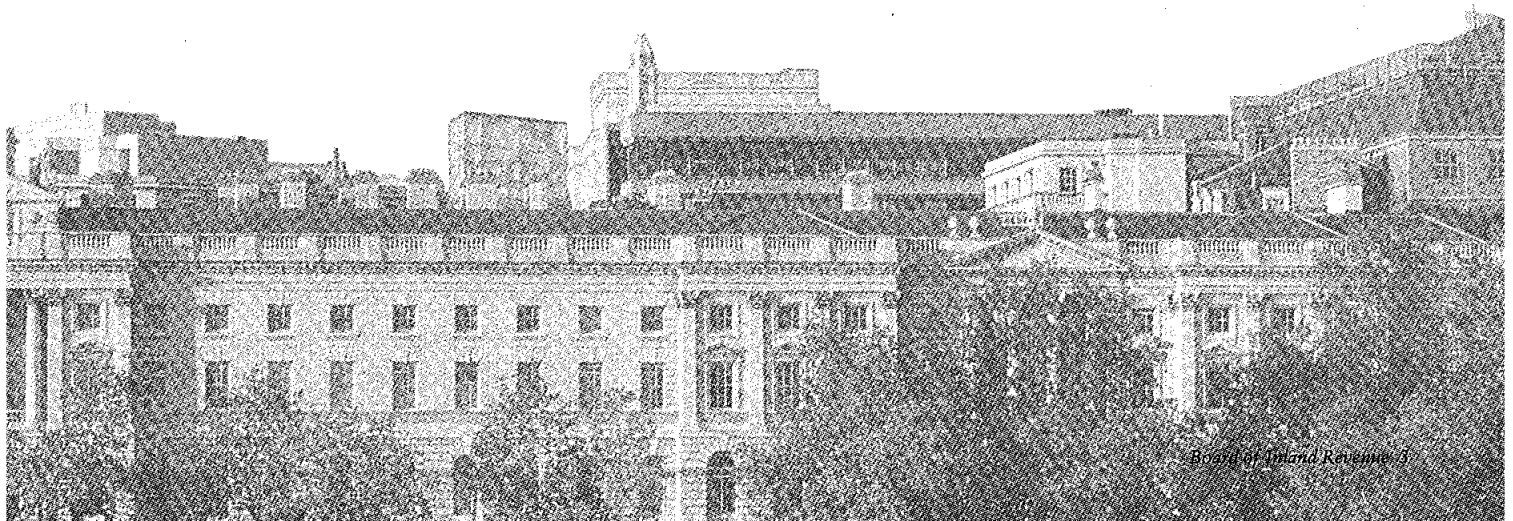
A fundamental reform in the system for assessing personal tax was announced in last March's Budget Statement. The proposals involve bringing together all sources of income, which are presently assessed separately, in different ways and on different dates, on to a common current year basis, so that a single statement of liability for the year can be provided. This should reduce the compliance burdens on taxpayers as part of the Department's deregulation programme. Taxpayers will be able to calculate their own tax bills or provide the necessary information for the Inland Revenue to do it for them.

ORGANISATION AND CHANGE

The Department has embarked on a number of major developments aimed at meeting the various objectives of the Government's Next Steps, Citizen's Charter and Competing for Quality initiatives in a single, integrated programme of change.

Long term aims

An Inland Revenue Development Plan has been produced during the year setting out the Department's long term objectives and strategies. These are designed to achieve significant improvements in customer service, a steady improvement in compliance, a substantial improvement in cost efficiency, and to increase staff commitment by



demonstrating care of staff (the four "Cs"). Improvement in quality in all areas will be needed, and a drive towards quality has been reinforced by the appointment of a Director of Quality Development.

Next Steps

The day to day operations of assessing and collecting tax and the main internal support services were organised from 1 April 1992 into thirty-four executive offices. These have clear framework documents and operating plans committing them to stretching service and efficiency targets. Together with the Valuation Office Agency they include over 97% of the Department's staff. Initial steps have been taken towards fewer, larger executive offices.

Local office reorganisation

A programme of local office reorganisation began during the year, bringing tax and collection offices together in 20 locations. Over time it is intended to create a single point of contact for most taxpayers and to provide better, cheaper service.

Pay and Grading

The Revenue was the first Government Department to take over responsibility from the Treasury for its own pay and grading. The multiplicity of separate staff groups and grades, with restrictions on what staff in each group could do, has been replaced by a single staffing structure tailor-made to the Revenue's circumstances with five broad pay bands below Grade 3 (Under Secretary) level. From 1 October 1992, everyone in the Department has a performance agreement setting out their responsibilities and objectives, with pay increases depending on performance against these agreements.

Market testing

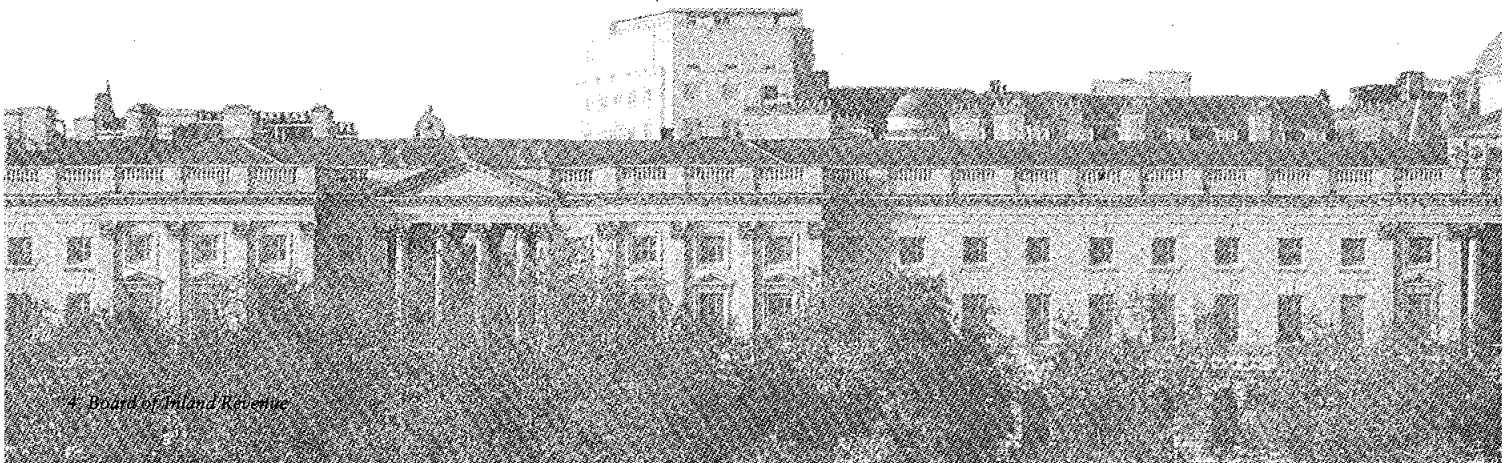
A market testing programme covering a wide range of support services has been taken forward. In particular, a competitive tender exercise is being held for a strategic contract for the Department's Information Technology services with a major private sector supplier. Two possible suppliers have been shortlisted and it is expected to have a contract in place early in 1994. The first tranche of work and staff will transfer to the partner soon afterwards.

CUSTOMER SERVICE

Elizabeth Filkin has been appointed as the first Revenue Adjudicator. She will provide an independent review of complaints which taxpayers feel have not been properly resolved through the normal internal processes.

Three codes of practice were published in February 1993 on the conduct of tax investigations, inspections of PAYE records, and mistakes by the Department.

The Department introduced Customer Service targets for replying to correspondence and waiting times in Tax Enquiry Centres, in response to the Government's Citizen's Charter initiative. Nearly all offices exceeded their targets. Tax and collection offices provided a substantive reply to 98.8% of correspondence within 28 days, against a target of 90%. Tax Enquiry Centres also exceeded their target by attending to over 90% of callers without an appointment within 15 minutes.



A national survey of employees and the self-employed showed that two-thirds were satisfied and only 10% of taxpayers were dissatisfied with the service they receive. In the light of the survey results, the Department plans to implement a wide range of recommendations aimed at further improving its service to the public. These include a telephone service better tailored to the public's needs.

COST EFFICIENCY

Efficiency savings of 2.2% were achieved in 1992/93 — a saving of £34.8 million on Departmental running costs.

Information Technology continues to deliver cost efficiency and customer service benefits. Major milestones were achieved in the implementation of systems to help the operation of pay and file for corporation tax and the management of casework in collection offices.

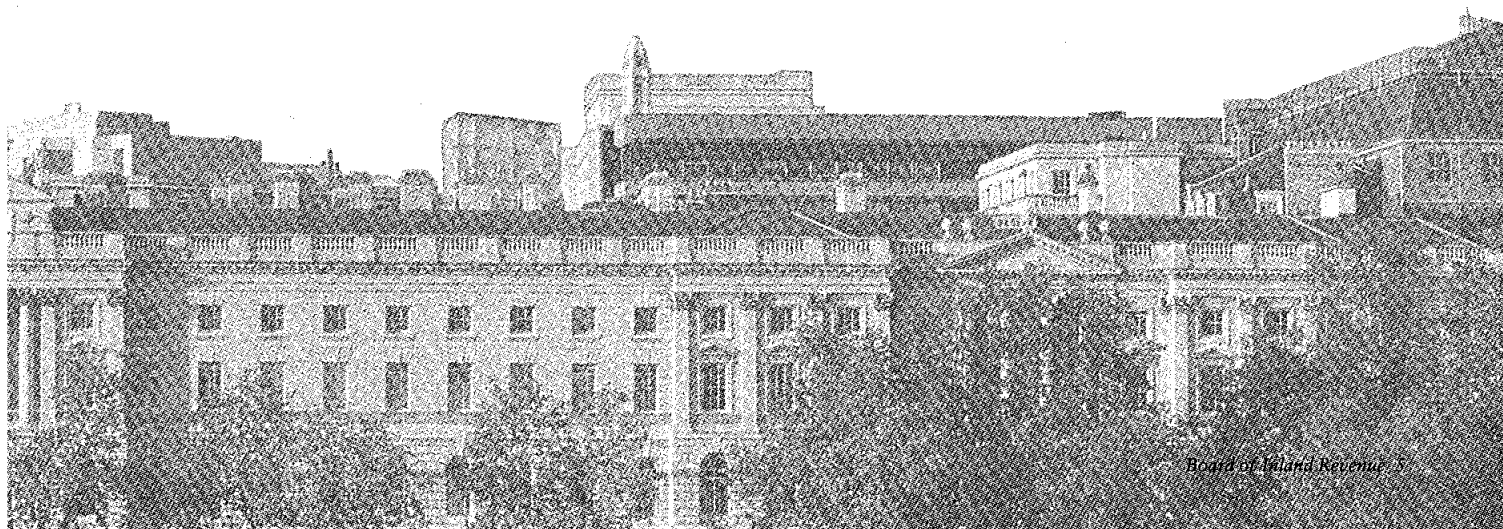
CARING FOR STAFF

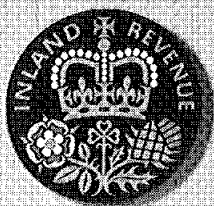
The Board recognises that improvements in the service it provides to taxpayers depends critically on taking care of its own staff. This is particularly important during a period of change when staff are inevitably concerned about their futures.

During the year the closure of 19 repayment offices affecting around 1000 staff was achieved without the need for any compulsory redundancies.

A major health screening programme began covering all staff. All executive offices now have equal opportunities officers and disabled persons officers, recognising the importance of equal opportunities in all offices.

The Board are grateful for the hard work and commitment of all staff during the year, and in particular, record their thanks to those in Northern Ireland who continue to operate with professionalism and dedication in difficult circumstances.





THE TAXPAYER'S CHARTER

You are entitled to expect the Inland Revenue

TO BE FAIR

- By settling your tax affairs impartially
- By expecting you to pay only what is due under the law
- By treating everyone with equal fairness

TO HELP YOU

- To get your tax affairs right
- To understand your rights and obligations
- By providing clear leaflets and forms
- By giving you information and assistance at our enquiry offices
- By being courteous at all times

TO PROVIDE AN EFFICIENT SERVICE

- By settling your tax affairs promptly and accurately
- By keeping your private affairs strictly confidential
- By using the information you give us only as allowed by the law
- By keeping to a minimum your costs of complying with the law
- By keeping our costs down

TO BE ACCOUNTABLE FOR WHAT WE DO

- By setting standards for ourselves
- and publishing how well we live up to them



IF YOU ARE NOT SATISFIED

- We will tell you exactly how to complain
- You can ask for your tax affairs to be looked at again
- You can appeal to an independent tribunal
- Your MP can refer your complaint to the Ombudsman

IN RETURN, WE NEED YOU

- To be honest
- To give us accurate information
- To pay your tax on time

1. ORGANISATION AND AIMS

THE BOARD

- 1.1 The statutory Board of Inland Revenue consists of:
- Chairman: Sir Anthony Battishill KCB
- Deputy Chairmen: L J H Beighton CB
S C T Matheson CB
- Director General: C W Corlett
- 1.2 Mr T J Painter CB, Deputy Chairman, retired from the Board on 8 January 1993, after 33 years public service mainly in the Revenue but including periods in the Civil Service Commission and the Treasury.

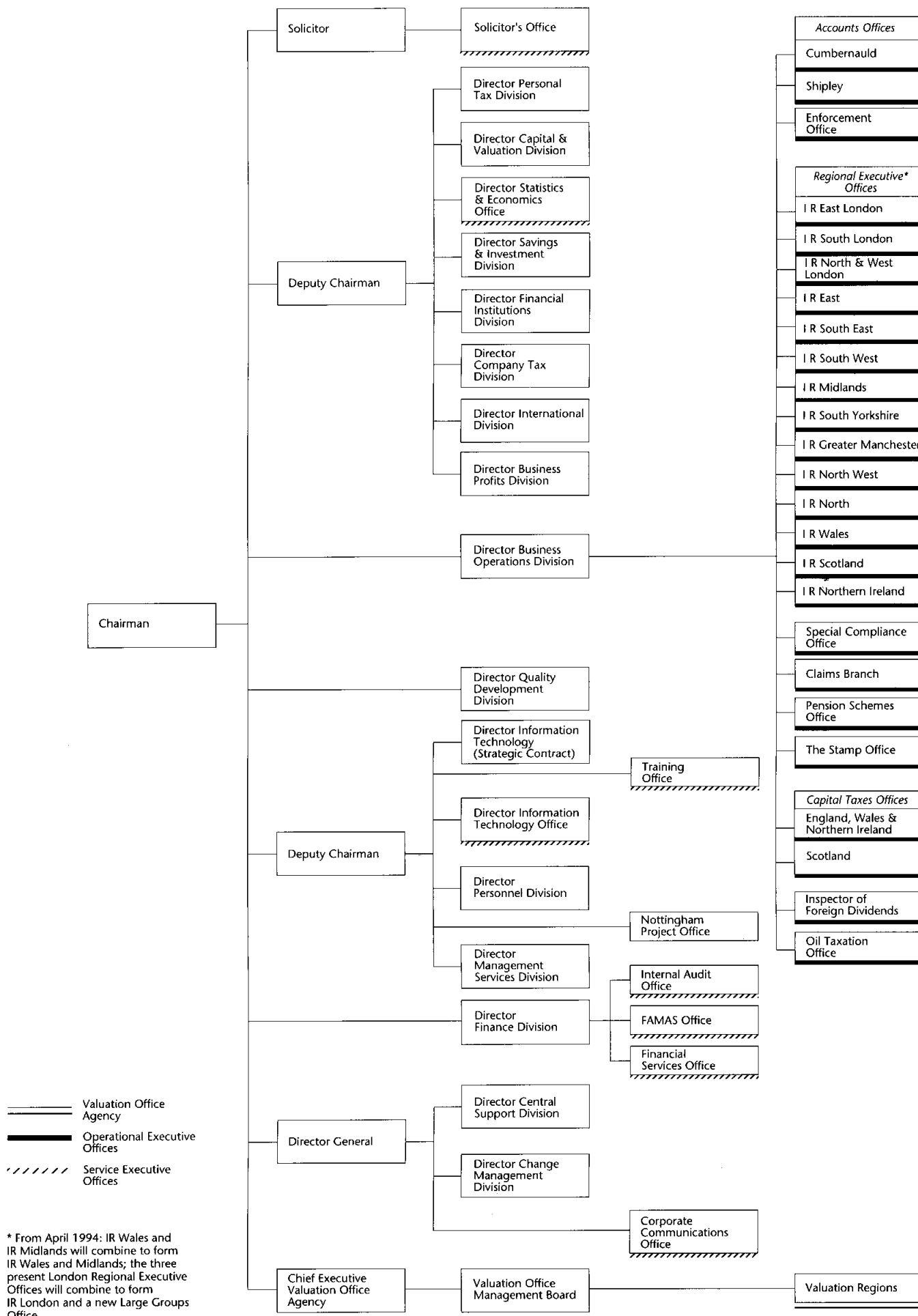
INLAND REVENUE'S RESPONSIBILITIES

- 1.3 The Inland Revenue is responsible, under the overall direction of Ministers, for the efficient administration of income tax, corporation tax, capital gains tax, petroleum revenue tax, inheritance tax and stamp duties; for advice on tax policy; and for valuation services for revenue, rating, council tax and certain other purposes. The Department also collects national insurance contributions on behalf of the Department of Social Security.
- 1.4 The Department's job is:
- to collect the proper amount of tax due by law, and to do it efficiently, effectively and to a high standard;
 - to give Ministers speedy, comprehensive, balanced and clear advice on tax policy, and to implement that policy efficiently and effectively;
 - to provide good quality and cost effective valuation and estate surveying services, including specialist advice on minerals, to government and the wider public sector.

ORGANISATION AND NEXT STEPS

- 1.5 The Inland Revenue is fully organised on "Next Steps" lines.
- 1.6 Valuation matters are the responsibility of the Valuation Office which was established as an executive agency within the Department on 30 September 1991. The agency's business and corporate plans and annual reports are published separately. The Agency's key results in 1992/93 are covered in Section 8.
- 1.7 Advice to Ministers on tax policy is provided by seven subject divisions. These are also responsible for ensuring the effective implementation of Ministers' policy decisions and for advising operational offices on the technical application of legislation. Information about the main policy and technical developments is given in Section 7.
- 1.8 Other divisions are responsible for overall Departmental strategy on issues like finance, personnel and planning. But the bulk of the Department's staff are engaged in day to day operations in assessing and collecting tax and in providing internal support services. As from 1 April 1992 these were organised into 34 executive offices.
- 1.9 In the light of experience, the Department has decided to move towards fewer but larger executive offices. The merger of the Solicitor's Office and the Solicitor's Office (Scotland) into a single executive office under the management of the Solicitor of Inland Revenue was announced on 17 May 1993. From next April Inland Revenue Wales and Inland Revenue Midlands will be combined to form Inland Revenue Wales and Midlands. Also from April 1994 a new executive office called the Large Groups Office will be set up to cover those tax offices in London which deal with large groups of companies, principally in the financial sector. This office will also include some specialist investigation, audit and clearance units currently in Head Office. The remaining tax and collection offices in the present London regional executive offices will be brought together into a single executive office. These changes will reduce the number of executive offices from 34 to 31 and the scope for further mergers is being examined.

SUMMARY ORGANISATION CHART - SEPTEMBER 1993

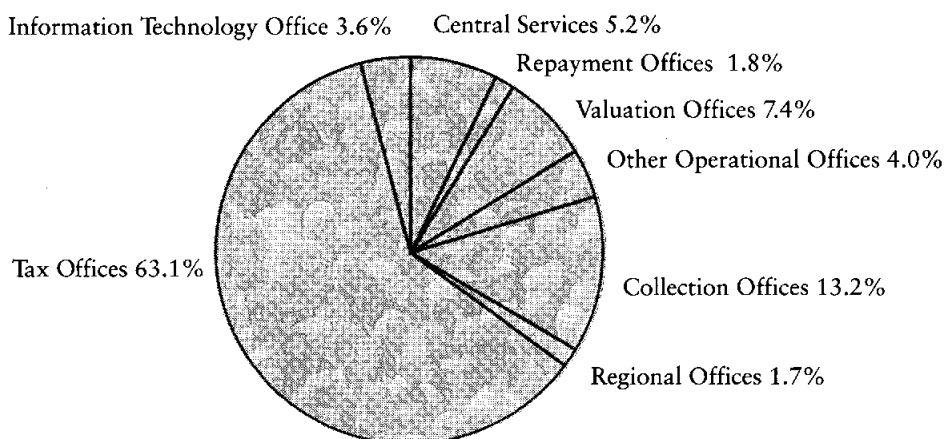


- 1.10 At Head Office, the two operational directorates have also been reorganised along with some related functions. From 19 August 1993 there is a single Business Operations Division and all the controllers of the operational executive offices report to its director. A Director of Quality Development has been appointed to improve quality in all aspects of the Department's work. The project and developmental work previously carried out in the two directorates has been merged with the Change Management Group into a single Change Management Division.
- 1.11 The heads of the present executive offices (most known as Controllers) are listed in Appendix 2. They are appointed by the Chairman and have enhanced management responsibility for the work of their offices. Each office has a framework document setting out its relationship with the rest of the Department. They prepare annual operating plans and reports of overall performance against those plans. Copies of their annual reports can be obtained from the heads of these offices.
- 1.12 The Valuation Office Agency and the executive offices account for over 97 per cent of the Department's total staff.

Diagram 1

STAFF DISTRIBUTION

Distribution of Inland Revenue Staff in 1992/93



Permanent manyear usage 1992/93

69,360

MANAGEMENT AND POLICY BOARDS

- 1.13 To assist the statutory Board in managing the new departmental structure, a management board has been set up comprising the statutory Board members and the directors of the operational directorates and divisions involved in management issues. Two non-executive outside members sit on the management board – Lady Wilcox, Chairman of the National Consumer Council, and Ms S V Masters, a partner in KPMG Peat Marwick. Similarly, the statutory Board and directors of subject divisions and other directors involved in tax policy advice meet as a policy board on tax policy matters.

TAX ASSESSMENT AND COLLECTION

- 1.14 During the period of this report, the executive offices responsible for the business of assessment and collection of tax were organised into two directorates.
- 1.15 Directorate, Operations 1 was responsible for the assessment and collection of income tax, corporation tax and capital gains tax, and for the collection of national insurance contributions on behalf of the Department of Social Security. It operated through a network of tax and local collection offices in 14 regional executive offices, supported by two accounts offices and the Enforcement Office.



Top: Caroline McLoughlin and Declan MacHugh of Londonderry tax office explain the office's quality improvement programme during the 1993 senior management conference.

Bottom: Lady Wilcox (left), Chairman of the Consumer Council, and Ms S V Masters, a partner in KPMG Peat Marwick, the two non-executive members of the Management Board.

THE CHANGE
PROGRAMME

- 1.16 Directorate, Operations 2 was responsible for other operational functions of the Department. It was organised into eight executive offices which:
- assess and collect inheritance tax and stamp duties;
 - assess petroleum revenue tax and corporation tax for the oil and gas sector;
 - approve and monitor pension schemes for tax purposes;
 - do specialist work on residence, charities, trusts, settlements and offshore funds;
 - supervise schemes for tax relief and deduction at source;
 - carry out the larger, more important or more difficult investigations.
- 1.17 The Inland Revenue taxes accounted for about 38% of central Government revenues in 1992/93. When national insurance contributions collected by the Revenue are added in, the proportion rises to about 56%. Accordingly, the first priority of the Department is to keep the business running on a day to day basis and to ensure that tax and national insurance contributions are collected promptly. The detailed results of this work are shown in Section 6.
- 1.18 The Department's second priority is a programme of change to enable the business to run better.
- 1.19 Last year's report outlined the Department's change programme. It focuses on action in four main areas, which are known as the four Cs:
- a. A major improvement is needed in **customer service** to give taxpayers a quality service in their dealings with the Department.
 - b. The steady improvement in work on **compliance** achieved in recent years needs to be maintained and continued.
 - c. Substantial enhancements are needed in **cost efficiency**, not just to deliver efficiency savings which all government departments are expected to provide, but also to fund improvements in customer service and compliance.
 - d. Changes of this magnitude will be impossible unless they are underpinned by a demonstrable policy of **caring for staff** so that people in the Inland Revenue are appreciated and committed, and encouraged to make best use of their skills.
- 1.20 Sections 2-5 set out the main developments during the period covered by this report under each of the four Cs. Many initiatives are designed to achieve improvements under more than one heading.
- 1.21 The Change Management Group (now expanded to include all Head Office units engaged on developmental projects) was set up to plan and coordinate the activities necessary to achieve the improvements needed. Its first task has been to draw up a long term plan, the Inland Revenue Development Plan (the IRDP). This sets out a picture of what the Department might look like in ten years time and includes the main projects which will enable the Department to get there.

1.22 The changes required by the plan have four aspects:

- reorganising the office structure;
- simplifying and streamlining work;
- making more use of information technology;
- changing the way the Department manages its work and its people.

Reorganising the office structure

1.23 A key feature of the change programme is the merger of tax and collection work with the aim of giving taxpayers a single point of responsibility for their tax affairs. Tax and collection offices will be restructured to bring related activities together. Taxpayer Service Offices will deal with the day-to-day work involved in settling a taxpayer's liability. Taxpayer District Offices will deal with the main technical and compliance work. And Taxpayer Assistance Offices will provide a face to face service. The new office structure is being phased in over the next 10 years. Plans were developed for the implementation during 1993/94 of 20 office reorganisations involving 117 existing offices. Four of these were implemented in the first half of 1993.

Simplifying and streamlining work

1.24 In his Budget Statement last March the former Chancellor of the Exchequer announced that a new Simplified Assessing system for assessing personal tax would be introduced in 1997. This is the most important development in the process of streamlining the Department's work and will substantially affect the way in which many taxpayers approach their tax affairs. Project Teams have started work on developing the new system.

Making More Use of Information Technology

1.25 As well as simplifying and streamlining the way work is carried out, the Department is seeking to introduce more automation. A strategic decision has been taken to split major computer projects, where possible, into smaller, more manageable units. This will reduce complexity and risk, and allow a more rapid response to changing requirements.

Management Changes

1.26 The Department is aiming to change the way it manages its work and its people. This involves reducing the number of management layers, testing the cost efficiency and quality of its service against the private sector, delegating responsibility for operational matters to executive offices, and the introduction of a new pay and performance management system.

Improving Quality

1.27 Underpinning all the changes is the need to improve the quality of the work of the Department. Work has begun on developing quality improvement programmes in many parts of the business. These will include training, attention to accuracy, additional performance indicators and the encouragement of local initiatives already taking place. This work has been given further impetus by the creation of the Quality Development Division.

2. CUSTOMER SERVICE

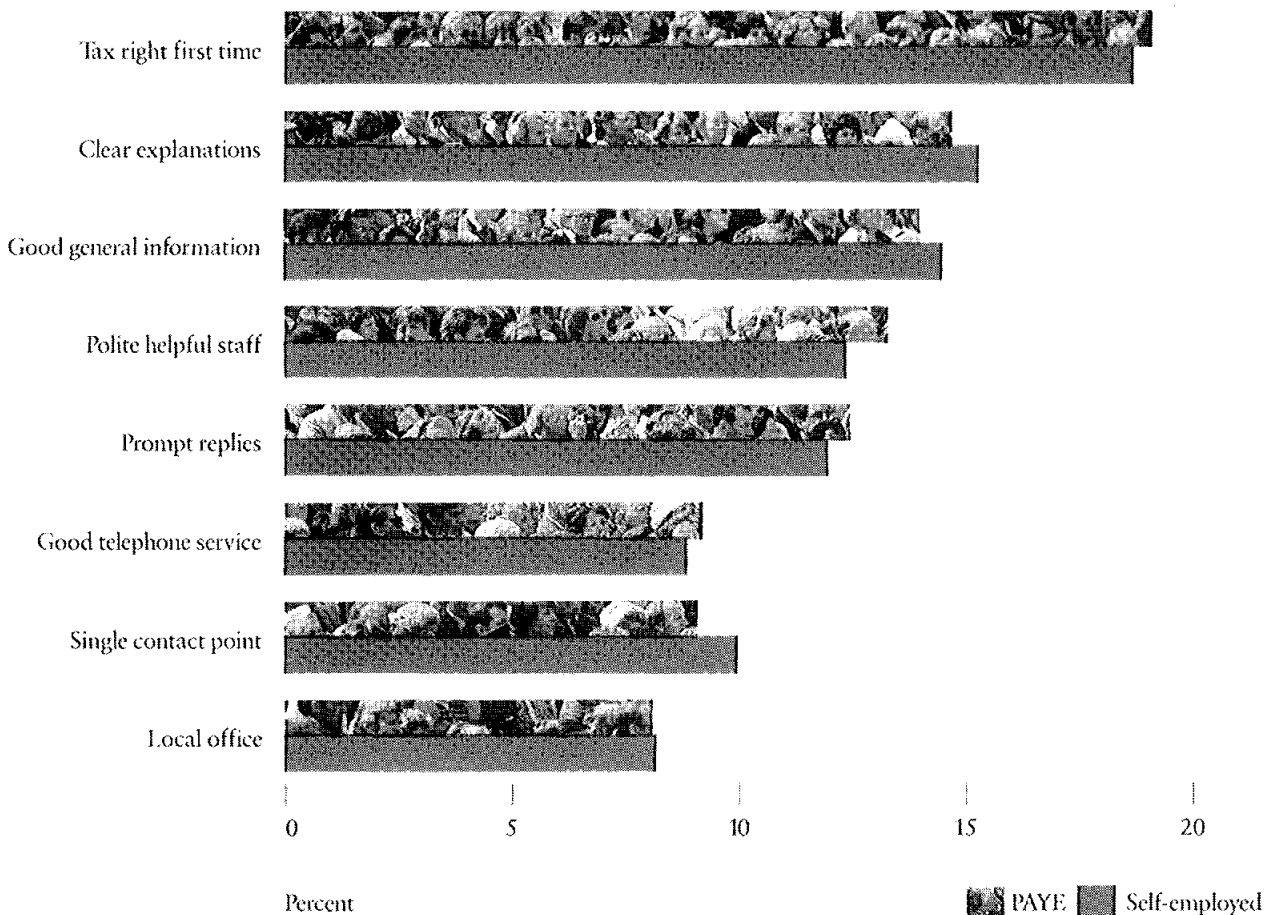
- 2.1 The public has a right to expect a high quality and efficient service from the Inland Revenue. Staff in the Department are strongly committed to public service, and to improving the standard of service they provide.
- 2.2 Customer Service Managers have been appointed in each of the executive offices. They have been active in encouraging initiatives to improve the quality and range of services provided by their executive offices, and in forging new links with taxpayers.
- 2.3 A survey of taxpayers was conducted last year for the Department by independent market research consultants. The researchers interviewed a random sample of 1,678 individual taxpayers, both employed and self-employed.
- 2.4 The survey showed that 65% of taxpayers were satisfied with the overall service they got from the Revenue. About 10% were dissatisfied with the service they received, while the rest expressed no opinion either way.
- 2.5 The key priority of taxpayers is for the Revenue to work out their tax correctly first time. Taxpayers also want clear information and explanations, and they want problems, when they arise, to be resolved quickly. There was overwhelming support for the Revenue's work in protecting honest taxpayers by deterring and catching those who try not to pay their fair share of tax.

NATIONAL CUSTOMER SURVEYS

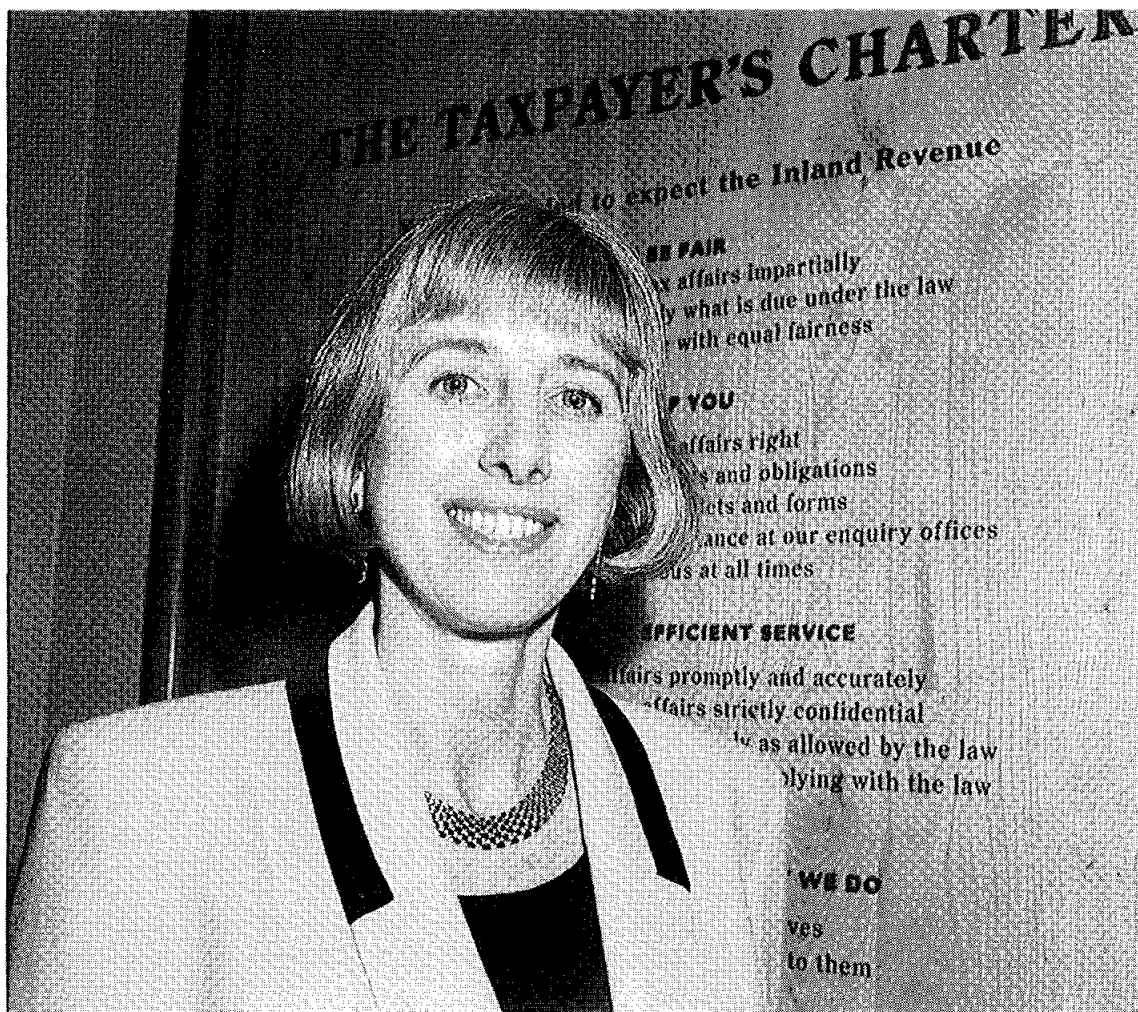
Diagram 2

NATIONAL CUSTOMER SURVEY

Relative importance of customer service issues to PAYE and self-employed taxpayers



	2.6	As a result of the survey the Department is implementing a wide-ranging action plan. This includes looking at new and better ways of informing people about tax, better training and briefing for staff who deal with the public, a telephone service better tailored to the public's needs, and a shift in emphasis towards quality working.
	2.7	This survey has been followed up with a survey of employers which showed that 25% of employers were very satisfied, and a further 59% satisfied, with the service provided. Only 3% of those surveyed were dissatisfied with the service they received, the rest expressing no opinion either way. An action plan is being formulated to improve performance in the light of these results.
	2.8	Further surveys of other groups dealing with the Revenue will be undertaken over the next few years and the survey programme will be repeated.
THE REVENUE ADJUDICATOR	2.9	The Department has recently added a new element to its procedures for dealing with complaints. Complaints will continue in the first instance to be referred to the local officer in charge to resolve and then, if necessary, to the Controller of the relevant executive office. But complaints that are not satisfactorily resolved at that stage may be referred to a new Revenue Adjudicator, Elizabeth Filkin, who has been appointed following an open competition.
	2.10	The Adjudicator's office opened on 4 May 1993 following an announcement at the Prime Minister's Citizen's Charter seminar in February. The new arrangements provide taxpayers with the opportunity for an impartial review, and the Department's staff with a measure of protection against complaints that prove to be unfair. The Adjudicator will deal with complaints about the way that a taxpayer's affairs have been handled. She will not be concerned, however, with disputes about tax law or liability.
	2.11	Taxpayers will continue to have access to the independent Appeal Commissioners if they cannot agree with the Department as to their tax liability. They will also have access, through their Member of Parliament, to the Parliamentary Commissioner for Administration if they believe they have suffered from maladministration.
INFORMING THE PUBLIC	2.12	The Corporate Communication Office provides advice on, and the practical means of, communicating with the public, the media and staff. The office continued its efforts to help the public understand the tax system by improving the range of explanatory leaflets. The leaflets are being rewritten in an informal and friendly but informative way. The leaflet on 'Income Tax for school leavers' won a Plain English award, our seventh such award in 10 years and the fourth year in a row we have won a first prize.
	2.13	Three Codes of Practice were published in February 1993 on the conduct of tax investigations, inspections of employer's PAYE records, and mistakes by the Inland Revenue. These Codes set out taxpayers' rights, and the standards which the Department sets itself. Two further Codes of Practice were published in July 1993 on inspections of the records of charities and financial intermediaries.
	2.14	In December 1992 a free video and booklet package was launched, designed to help people starting up in business to get their tax right from the start.
	2.15	During the year four editions of "Tax Bulletin" were published providing tax practitioners with information about the Department and its views and practices. A survey of readers discovered that 9 out of 10 readers found Tax Bulletin very or fairly useful.
	2.16	More was done to remind people on low incomes – particularly pensioners and married women who do not go out to work – that they can claim tax back on the income from their savings. An advertising campaign started in January 1993: 8 million leaflets were issued and advertisements appeared in newspapers and magazines, on posters and on television. By the end of March nearly half a million approaches had been received from the public. A new campaign in July 1993 focused on those people with savings who only pay tax at the lower rate of 20%.



Top: Elizabeth Filkin, the Revenue Adjudicator.

Bottom: The winning team in the Department's first customer service competition, from Cardiff 2 tax office, receive their prize from the Chairman.

TAX
ENQUIRY
CENTRES

- 2.17 The nationwide network of tax enquiry centres deal with enquiries from personal callers. They exceeded their target of attending to at least 90% of callers within 15 minutes.

Table A

Personal Callers to Tax Enquiry Centres attended to within 15 minutes	1992/93 Target %	1992/93 Result %
Executive Office		
IR East	90	97
IR East London	90	98
IR Greater Manchester	90	95
IR Midlands	90	96
IR North	90	95
IR North and West London	90	95
IR North West	90	98
IR Northern Ireland	95	99
IR Scotland	90	90
IR South East	90	99
IR South London	90	95
IR South West	90	95
IR South Yorkshire	90	97
IR Wales	90	99

- 2.18 Seventeen tax enquiry centres tested demand for extended opening hours during the course of the year. The experiment ran for a year until April 1993 and identified some demand for longer opening hours during the normal working day. Enquiry centres are now working towards extending daytime opening hours on a nationwide basis. The aim is that tax enquiry centres should generally be open between 9am and 5pm. Local managers are, however, encouraged to vary these hours to suit local circumstances.

- 2.19 Mobile enquiry centres continued to provide a valuable service to those people who find it difficult to visit a tax office or tax enquiry centre. 42 sites were visited in 1992/93 and over 40,000 callers were seen.

FORMS

- 2.20 Tax forms play an important part in customer service since they are the main, and often the only, point of contact with the public.
- 2.21 The programme to revise all major forms to make them more user-friendly continued during the year. 1,447 were reviewed against the target of 1,000. 100 major customer forms have been redesigned -- 25 of them with assistance from private sector design consultants. The aim is to provide forms which are easy for taxpayers to understand and fill in correctly. Completely new designs for all our major personal tax returns were introduced in April 1993. Research on taxpayers' response to the new designs has been undertaken and further improvements will be introduced to reflect these and other comments by users.

TRAINING AND
LOCAL
INITIATIVES

- 2.22 A major training programme in customer service was delivered to 50,000 staff by the Training Office.
- 2.23 The Department held its first customer service competition. Innovative suggestions were received from across the Department. The winning team, from Cardiff 2 Tax Office, had arranged a series of seminars for employers to help them improve their understanding of PAYE -- an idea which has also been taken up by several other offices.

DEALING
WITH POST

- 2.24 Since April 1992, the Department has adopted new systems for monitoring letters from the public and other correspondence. These focus on the time taken to provide a substantive reply.
- 2.25 Executive offices have targets for dealing with post, and the results achieved by the operational offices are shown in Table B.

Table B

Dealing with Post (percentage dealt with within 28 days)	1992/93 Target	1992/93 Result
Executive Office		
IR East	90	98
IR East London	90 ⁽¹⁾	96
IR Greater Manchester	90	97
IR Midlands	91	98
IR North	90	98
IR North and West London	90	98
IR North West	90	99
IR Northern Ireland	90	97
IR Scotland	90 ⁽¹⁾	99
IR South East	90	98
IR South London	90	98
IR South West	91	98
IR South Yorkshire	90	99
IR Wales	92	98
Accounts Office (Cumbernauld)	90	98
Accounts Office (Shipley)	90	98
Enforcement Office	90	96
Capital Taxes Office (England, Wales & Northern Ireland)	80	76
Capital Taxes Office (Scotland)	80	88
Inspector of Foreign Dividends	90	72
Claims Branch	90	93
The Stamp Office	99	99
Pensions Schemes Office	70	84
Oil Taxation Office	90	95
Special Compliance Office	90	99

(1) From July 1992

2.26 The offices which did not meet their targets, the Capital Taxes Offices (England, Wales and Northern Ireland) and the Office of the Inspector of Foreign Dividends, are relocating to Nottingham, and the shortfall was largely caused by the various disruptions associated with the move.

2.27 In addition to monitoring speed of response, the Department aims to improve the quality of the replies taxpayers receive to their letters. A new system to monitor the accuracy and effectiveness of the clerical work in local tax offices is being developed with a view to introducing it generally in 1994/95.

**PERFORMANCE
AGAINST KEY
OBJECTIVES**

2.28 Table C shows the customer service key objectives and associated tasks and targets published in the Inland Revenue Operating Plan 1992/93, and the Department's performance against them.

Table C

Customer Service: Performance Against Key Objectives		
Key Objectives	Tasks and targets	Result
Find better ways of measuring quality and service provided.	Introduce new turnaround time targets for letters from the public aiming at a maximum 28 days response time in most cases.	Turnround time targets introduced throughout the Department.
	Introduce new targets for waiting times at tax enquiry centres.	Over 90% of callers without an appointment attended to within 15 minutes.

Table C (contd)

Key Objectives	Tasks and targets	Result
Find better ways of understanding the needs of the public.	Conduct large scale survey of employees and self employed. Follow up action plan.	Survey conducted in June 1992. Action plan is being implemented.
	Carry out surveys of customer groups by Stamp Office and Capital Taxes Office (England, Wales and Northern Ireland).	Stamp Office survey postponed because of changes announced in Budget. Capital Taxes Office survey carried out and action plan prepared.
Improve the ways we help the public get their tax right and find new ways to do so.	Introduce customer service managers in each Executive Office.	All executive offices have a customer service manager.
	Publish customer service leaflets for Executive Offices.	Leaflets published.
	Review public forms and redesign 50 of the most commonly used.	100 major forms redesigned.
	Test the demand for more flexible opening hours in selected tax enquiry centres.	Experiments carried out in 17 tax enquiry centres.
	More than double the number of places visited by mobile enquiry centres.	42 visited compared with 26 in 1991/92.
	Publish customer service leaflet for tax and collection offices in ethnic minority languages and Welsh.	Leaflets in 10 languages published in Summer 1993. Publication delayed to include details of new Revenue Adjudicator.
	Produce a 'Teach Yourself Tax' video for small business.	Produced December 1992.
Reorganise methods of work to provide better service.	Take forward the integration of taxes and collection work into single offices to start to reduce the number of points of contact taxpayers may need to have with the Department.	Programme of first reorganisations begun in 1992/93.
	Start to implement agreed changes arising from the reviews of organisation and structure and management and grading.	Change programme well under way.
	Run a customer service competition.	Competition won by team from Cardiff 2 tax office.
	Introduce service level agreements for internal customers of the Information Technology Office.	120 Service Agreements are now in place covering the availability of live systems, the maintenance of software for those live systems, and management services.

3. COMPLIANCE

3.1 The Department aims to continue the steady expansion of work on compliance which has taken place in recent years. The starting point for this work is that the tax system relies on high levels of voluntary compliance. Voluntary compliance is encouraged by:

- designing simple and secure procedures
- helping taxpayers to get right what they are obliged to do
- giving good quality service.

3.2 At the same time the Department maintains an active compliance effort in all parts of the tax system to ensure fairness and to deter evasion. However, much of our compliance activity is in the three areas where the tax loss is potentially the greatest: technical review where Inspectors examine business accounts to identify significant errors in the computation of taxable profits; investigation of suspected tax evasion and avoidance; and audit work, for example in relation to PAYE.

3.3 In such a sensitive area, it is important to achieve the right balance between the responsibilities of the Department and the rights of the citizen. Where it is necessary to intervene to monitor the standard of compliance or to put right non-compliance, staff aim to act impartially, in accordance with the Taxpayer's Charter and Departmental Codes of Practice which were published last February.

OVERALL RESULTS

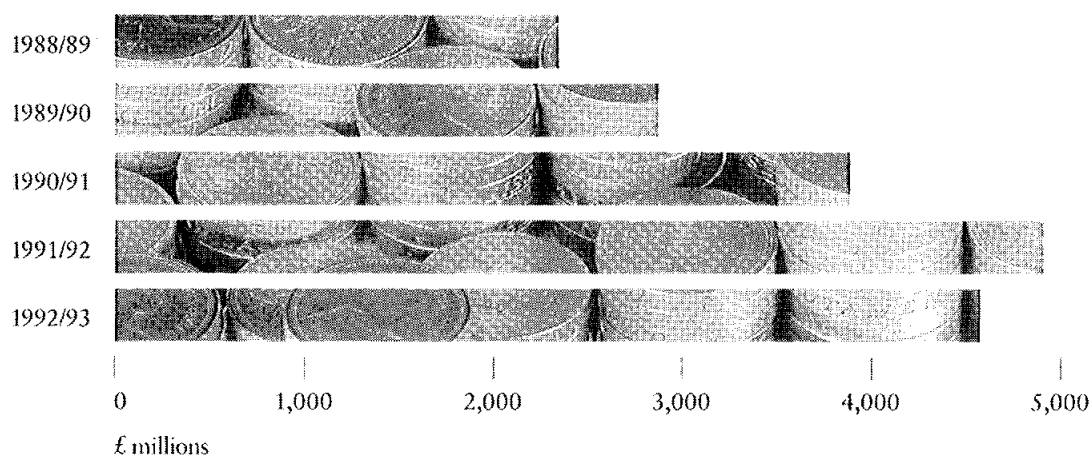
3.4 In 1992/93 the direct yield from the Department's action against non-compliance was £4.6 billion, equivalent to the yield from an increase of nearly 3 pence in the basic rate of income tax. This was 7% less than the £4.9 billion obtained in 1991/92 but still significantly more than in any other previous year. Full details of the results can be seen in Appendix 5.

3.5 There are a number of reasons for the levelling off of the yield from compliance work. Fewer investigations now go back into years when tax rates were higher and when economic conditions are depressed, profits are lower. Nevertheless counter evasion and avoidance work continues to be extremely cost-effective.

Diagram 3

COMPLIANCE YIELD

Total estimated yield from all compliance activities 1988/89 to 1992/93



YIELD/COST RATIOS

- 3.6 Yield/cost ratios are used as one of a number of factors to help management make considered judgements on the allocation of resources. They are useful in providing a retrospective comparison of the cost-effectiveness of individual types of compliance work. But the yield/cost ratio is not the only criterion in deciding how staff are deployed. While maintaining and improving cost-effectiveness is a major consideration, it is also important to demonstrate an effective presence in all areas where there may be non-compliance. Moreover, there are areas, notably prosecutions, where yield/cost ratios have little relevance.
- 3.7 Yield from compliance work is not targeted at a departmental level, for individual offices, or for individual members of staff. The Department's objective is to collect the right amount of tax. For most investigation work carried out in local offices, targets reflect the numbers of cases covered but are weighted by a points system which measures the difficulty and the quality of the work done. Points are deducted for bad practice such as failure to explain taxpayers' rights or unreasonable pursuit of additional tax.
- 3.8 Table 22 in Appendix 5 summarises the yield/cost ratios for the main areas of activity in combating non-compliance.

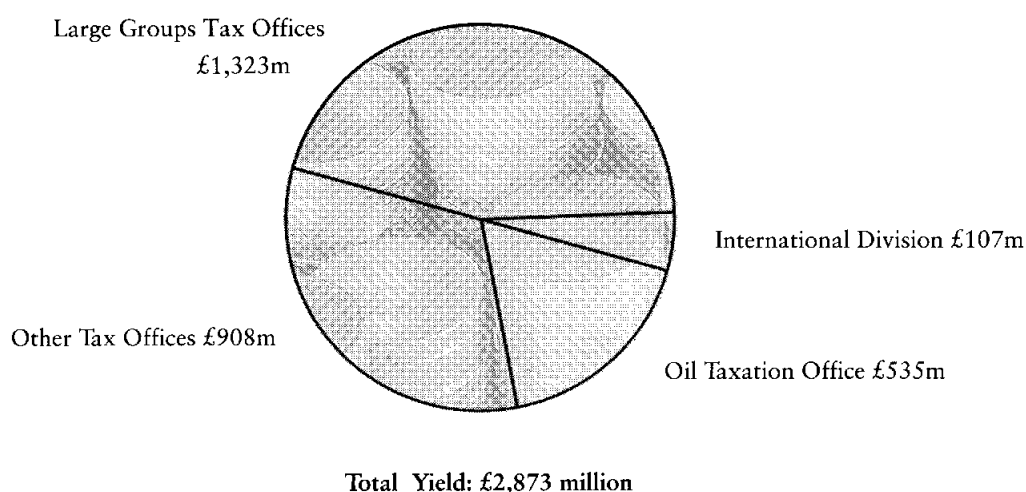
TECHNICAL REVIEW

- 3.9 Reviews are carried out in tax offices and in some specialist offices to check on the correctness for tax purposes of significant items in accounts and computations. Where necessary adjustments to profits or losses are negotiated.
- 3.10 In 1992/93 tax offices made 146,757 adjustments in the Revenue's favour totalling £15,301 million. The estimated tax yield from these adjustments was £2,231 million.
- 3.11 There were also 18,695 adjustments in the taxpayer's favour amounting to £2,013 million. The saving for taxpayers was in the region of £426 million.
- 3.12 Technical review work by the Oil Taxation Office produced a yield of £535 million. A number of factors contribute to the high yield: the complexity of the oil and gas regime; the high marginal tax rate on production profits; the absolute size of the flows involved; and an element of catching up on arrears of work. As expected, compliance yield is beginning to fall reflecting the substantial fall in oil production profits from the mid 1980s.

Diagram 4

TECHNICAL REVIEW WORK

Total estimated yield from technical review work 1992/93



- 3.13 International Division's examination of company accounts led directly to adjustments which yielded £107 million of additional tax. Further substantial adjustments in relation to international tax issues are included in the adjustments made by tax offices and the Oil Taxation Office.

INVESTIGATION WORK

Accounts

- 3.14 The move towards the working of better quality investigations cases has caused a temporary reduction in yield. This is because such cases take longer to settle and it takes time for the benefits of the change to show through. This, taken with the effects of the recession, has led to a 4% drop in the yield from investigations of unincorporated business accounts from £306.5 million in 1991/92 to £293.1 million in 1992/93. The yield from company investigations however remained stable at around £157 million. This was due mainly to one very large case, without which the yield on company investigations would also have fallen.

Schedule D Compliance

- 3.15 Schedule D compliance work concerns the discovery of people who should be paying tax but for whom there are no records ("ghosts"), and people who have second jobs which they have not declared ("moonlighters"). Yield from these activities increased slightly from £85.7 million in 1991/92 to £86.5 million in 1992/93.

Schedule E Compliance

- 3.16 Schedule E compliance is work done in local offices by staff who check that benefits in kind and taxable income such as tips are properly taxed. The yield fell slightly from £197.5 million in 1991/92 to £192.2 million in 1992/93. However, the 1991/92 yield included one exceptional case. But for that, 1992/93 would have shown an increase in yield as a result of increased resources being deployed in this activity.

Special Investigations Section

- 3.17 The Special Investigations Section carries out major corporate investigations and gives specialist advice and guidance on corporate avoidance to network offices and subject divisions. Its yield for the year was £38 million, less than the previous year, but given the nature of the work substantial year on year fluctuations are inevitable.

Special Compliance Office

- 3.18 The Special Compliance Office investigates suspected serious fraud, tax evasion and avoidance and monitors the professional standards of practising accountants. During the year record numbers of cases were settled. The yield increased by 16% to £387.4 million.
- 3.19 In cases of serious fraud, the Department has continued its policy of prosecuting in those exemplary cases most likely to serve as a deterrent. The number of prosecutions handled by the Board's Investigation Office fell as it concentrated on larger cases, whereas in Enquiry Branch the number increased. The Mutual Legal Assistance Treaty has provided an important means by which evidence for criminal purposes may now be obtained from abroad.

PAYE AUDIT

- 3.20 Audit units check the operation by employers and contractors of PAYE and the special deduction scheme for the construction industry. New targets for Local and National Audit Groups were launched in 1992/93 with a quality bias to increase the proportion of high quality inspection cases.
- 3.21 Yield increased in Local Audit Groups from £96.3 million in 1991/92 to £115.6 million in 1992/93 and in the National Audit Groups from £24.6 million to £31.1 million.

TRUSTS	3.22	Following an efficiency scrutiny, it was decided to concentrate trust work into just five tax offices, including two specialist trust tax offices to be set up in Nottingham and London. The aim is to provide more effective compliance and better customer service through greater specialisation.
	3.23	Some trust work had already been concentrated in a tax office in Manchester, and other trust work was brought together in Truro tax office. The first of the new tax offices was set up in Nottingham in March 1993 and the London one will follow in the second half of 1993/94, as will the concentration of Scotland's trust work in an Edinburgh tax office.
CLAIMS BRANCH	3.24	Compliance yields increased by over 60% from £52 million to £84 million. Audit arrangements were introduced in relation to the Basic Rate Tax Scheme for deposit interest, institutions' obligations to make returns of interest paid and Tax Exempt Special Savings Accounts (TESSAs). Claims Branch also began to check whether individuals who had registered to receive interest without tax deducted had done so correctly.
OTHER COMPLIANCE ACTIVITIES	3.25	A new section was established by the Capital Taxes Office (England, Wales and Northern Ireland) to strengthen work on inheritance tax compliance. The compliance unit at the Pension Schemes Office was strengthened and stronger links were established with both the Special Compliance Office and the taxes network. The Office of the Inspector of Foreign Dividends has reduced routine review enquiries, and placed more emphasis on counteracting known abuses.
PROSPECTS	3.26	The Department is committed to maintain, and if possible increase, the level of its action against non-compliance and to make the most effective use of its resources. It will continue to rely on the skill and commitment of those of its staff who carry out this very important and sensitive part of its activities.
	3.27	As well as substantial direct tax yield, other less easily quantifiable benefits flow from the work. In particular, the risk of discovery, and of financial penalties or even possible prosecution, act as an important deterrent to potential non-compliers. Tackling non-compliance successfully also means that the majority of taxpayers who do comply with their obligations pay less tax than they otherwise might. They can be assured that the Inland Revenue is doing what it can to ensure that the tax burden is shared fairly and in accordance with the law.

PERFORMANCE
AGAINST KEY
OBJECTIVES

3.28 Table D shows the compliance key objectives and associated tasks and targets and the Department's performance against them.

Table D

Compliance: Performance Against Key Objectives

Key Objectives	Tasks and targets	Result
Increase concentration on most worthwhile cases.	Redeploy staff to high yielding work.	Staff have been redeployed from schedule D to schedule E compliance work.
	Launch new selection and performance indicators for corporation tax investigations.	New weighted points scoring system for company accounts.
	Launch new PAYE audit management system.	New information systems and targets launched.
Develop computer based support for technical work.	Explore options for national implementation of computerised information and support systems for tax inspectors.	The TINTAX (Technical Information to the Taxes network) project successfully piloted in 23 tax offices.
Ensure new projects contain effective mechanisms for combating non-compliance.	Implement audit of new arrangements for taxing interest paid by bank and building societies.	During the year the arrangements were put in place and around 200 audit visits were made.
	Monitor and extend Revenue Office Experiments which are testing different ways of organising local office compliance activity.	Lessons learned from the (continuing) experiments are helping to form the basis of the reorganisation of the Department's work now being implemented. This includes bringing together the work of taxes and collection and of PAYE audit and Schedule E compliance.
Strengthen compliance efforts on pension schemes and inheritance tax.	Implement initial recommendation of report on pension schemes compliance and develop liaison between Pension Schemes Office and Special Office.	Information exchanged and stronger links established between the two offices.
	Establish a new compliance unit in the Capital Taxes Office.	Unit began work on 1 March 1993.

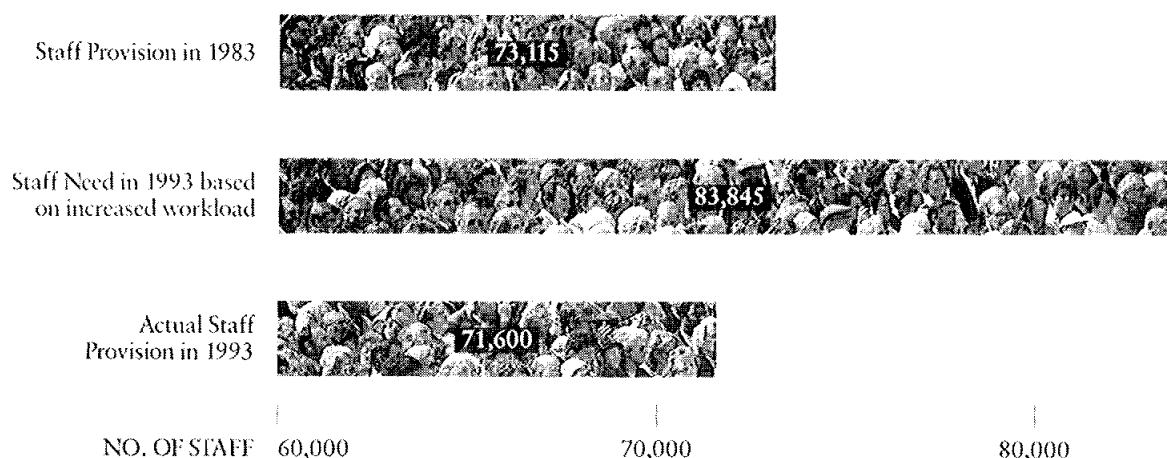
4. COST EFFICIENCY

- 4.1 The Department aims to improve the efficiency and effectiveness with which it manages resources and carries out its work. The diagram below shows how the Department's workload and staffing provision has changed over the last ten years.

Diagram 5

IMPROVING EFFICIENCY

Changes in Inland Revenue Workload and Staffing Provision since 1983



Increased workload equivalent to 10,730 staff because of larger numbers of companies and self-employed, more claims, and increased deployment to compliance work.

Savings equivalent to 12,245 staff achieved by: Administrative and Efficiency Measures (4,400), Computer Projects (6,425), and the net effect of legislative changes (1,420).

FINANCIAL MANAGEMENT

- 4.2 The Financial and Management Accounting Systems (FAMAS) Office maintains and develops the Department's accounting and financial information systems. The FAMAS Office was involved in continuing work to enhance the Departmental budgeting systems. These systems involve over 1,500 budget holders, each with responsibility for running his or her own budget. Purchasing cycle financial systems were installed at pilot sites and have been operating successfully. The systems will be extended during 1993/94 and 1994/95.
- 4.3 The operating plans for the executive offices link cash budgets and output measures through the use of unit costs. At present unit costs do not reflect capital expenditure but a computerised asset management system has been designed and is being introduced during 1993/94. This will provide a basis for taking capital consumption into account in unit costs in later years.
- 4.4 Review and appraisal of the Department's accounting, financial and control systems is carried out by the Internal Audit Office. Payroll and some accounting and auxiliary functions are carried out by the Financial Services Office.

PURCHASING

- 4.5 Purchasing initiatives have been developed throughout the Department. Budget holders use the professional purchasing techniques and centrally negotiated contracts now available to them to achieve cost efficiencies without compromising quality. This has resulted in savings of 4.4% during 1992/93.

INFORMATION TECHNOLOGY	4.6	The main thrust of the purchasing initiative is to seek value for money through open tendering and firm negotiation. In return suppliers are offered payment within 30 days unless otherwise agreed. Several checks have been carried out on invoices being processed, which indicate that 86% are paid on time.
	4.7	Information technology continues to offer cost efficiency benefits. The Information Technology Office provides information technology services to the Department and other approved customers. It is responsible for procuring, developing, maintaining and operating the Department's computer systems.
	4.8	The introduction of pay and file for corporation tax is a major project requiring a new computer system covering both assessment and collection aspects of the new approach to corporation tax. It is one of the largest financial IT systems currently being developed in the UK and has pioneered the introduction of a new systems architecture, development methodology and graphical user interface. Many existing manual tasks have been programmed into the new system including the automation of repayments. The system is scheduled to be fully operational on 1 October 1993 when pay and file is introduced.
	4.9	<p>A range of IT systems is being developed to help streamline and automate business processes, including:</p> <ul style="list-style-type: none"> • caseload management for collection work which was implemented nationally in Summer 1993 following a successful pilot; • automated calculation of interest on late payments of PAYE tax, and on Schedule D and other assessed taxes implemented from April 1993; • a new system for handling claims cases based on optical character recognition (OCR) which was also implemented in April 1993 following a pilot; • development of a system for automating repayments of income tax.
EFFICIENCY SCRUTINIES	4.10	As part of the Government's scrutiny programme for 1992/93, the Department again carried out two scrutinies. The first was a wide-ranging scrutiny into common causes of error. Its aim was to identify those common causes of error for staff and taxpayers which have most impact on cost and service to customers, and to suggest possible methods of eliminating or substantially reducing them. Its recommendations are expected in Autumn 1993.
	4.11	The other scrutiny was concerned with the Valuation Office Agency's uniform business rate procedures. A number of suggestions aimed at ensuring better value for money and improving the level of service provided are being considered.
MARKET TESTING	4.12	In common with other Government Departments, the Inland Revenue has a substantial market testing programme. The plans for the year to 30 September 1993, set out in the Citizen's Charter first report (November 1992), cover around 3,350 posts and work to the value of about £280m.
	4.13	The Government has authorised the Department to proceed with a competitive tender for a strategic contract for IT services with a major private sector supplier. The formal procurement process began on 23 December 1992. On 13 May 1993 an invitation to tender was issued to a shortlist of two suppliers: CSC Europe/IBM UK, and EDS-Scicon Limited. If the procurement process shows that there would be benefits to the Department, the aim is to select a potential partner in the Autumn and to have a contract in place early in 1994. The first tranche of work and staff will transfer to the partner shortly afterwards.
	4.14	If value for money and a regard for quality and confidentiality can be demonstrated at each stage, further tranches will be transferred to the partner on an incremental basis.

- 4.15 The Department has also embarked on a pilot to market test typing and secretarial services in IR South West. The programme also includes market tests on bulk mailing, catering, estate management services, facilities management, forms design and procurement, reprographics, and the writing of training material.
- REPAYMENT OFFICES
- 4.16 Despite substantial advertising and publicity, the number of people claiming repayments of tax deducted from bank and building society interest fell well short of the number on which plans were originally based (even though there is evidence suggesting that millions more are entitled to claim). As a result the number of offices which specialise in work on repayment claims has been reduced from twenty-four to five.
- COSTS AND YIELDS
- 4.17 The net costs of administering and collecting the taxes for which the Department is responsible were £1,588.1 million in 1992/93 compared with £1,642.2 million in 1991/92. Salaries, superannuation and accommodation accounted for 78% of the Department's gross costs (compared with 74% in 1991/92). Further details are in Appendix 1 (Part 2 of the accounts).
- 4.18 The costs of collection, expressed separately in pence per pound for the major taxes for the last five years, are shown in table E below.

Table E

Costs of Collection of the Major Taxes

	1988/89	1989/90	1990/91	1991/92	1992/93
Income Tax ⁽¹⁾	2.22	2.15	2.17	2.46	2.42
Corporation Tax	0.50	0.50	0.58	0.82	0.93
Petroleum Revenue Tax/APRT ⁽²⁾	0.06	0.21	0.33	NA	2.14
Capital Gains Tax ⁽³⁾	1.15	1.85	2.10	3.80	3.91
Inheritance Tax/ Capital Transfer Tax/Estate Duty	2.17	2.04	2.24	2.07	2.16
Stamp Duties	0.27	0.24	0.30	0.36	0.50
All Taxes	1.62	1.61	1.70	2.06	2.09

(1) Calculated on cost of collecting Income Tax and National Insurance contributions.

(2) In 1991/92 there was a net repayment of petroleum revenue tax/APRT resulting from particularly high tax relievable expenditure claimed in some oil fields.

(3) The capital gains tax ratio generally relates to the costs and yields arising from gains to individuals and trustees. Gains arising to companies are reflected in the corporation tax ratio. Some of the costs (mainly of land valuations for companies) cannot, however, be separately identified and are included in the capital gains tax ratio.

- 4.19 The overall cost of collection increased by 0.03 pence in 1992/93 to 2.09 pence a pound. This reflects the reduction in yield experienced in the recession.
- 4.20 The cost of collection of income tax for 1990/91 onwards has been affected by the introduction of new legislation for the taxation of bank and building society interest. This replaced the composite rate tax, which could not be repaid to investors with incomes below the tax threshold, with a system of deduction of basic rate tax repayable to investors not liable to basic rate.

PERFORMANCE
AGAINST
KEY OBJECTIVES

4.21 Table F shows the cost efficiency key objectives and associated tasks and targets and the Department's performance against them.

Table F

Cost Efficiency: Performance Against Key Objectives		
Key Objectives	Tasks and targets	Result
Make overall improvement in cost efficiency.	Identify and realise new efficiency savings of £50 million in 1992/93 and keep within running costs settlement of £1,736.1 million.	Efficiency savings of £34.8 million made. Lower number of claims than expected following the abolition of composite rate tax reduced the scope for savings.
Make management more flexible.	Introduce, in the light of the seasonal variations in workload, flexible staffing of Inland Revenue Offices by using varied patterns of employment such as recurring temporary appointments and seasonal short term contracts.	Range of flexible working patterns available.
Restructure operations to increase efficiency.	Start to implement agreed changes arising from the Department's reviews of its organisation and structure and management and grading.	First reorganisations of tax and collection offices begun. Performance Management system and new pay bands in place.
Reduce costs relative to outputs.	Introduce systematic programme for market testing departmental activities as part of Government's initiative on Competing for Quality.	Market testing programme to 30 September 1993 covers work to a value of about £280 million.
	Review feasibility of internal charging for service activities.	Following a review, internal charging was introduced in April 1993 for Services provided between the VOA and the rest of the Department.
	Complete relocation of PAYE work away from London and South East and move around 650 posts in Head Office, Capital Taxes Office, Inspector of Foreign Dividends and Pension Schemes Office from London to Nottingham.	Relocation of PAYE work away from South East completed. 662 posts relocated to Nottingham in 1992/93.
	Carry forward, through pilots in appropriate locations and buildings, recommendations of the space standards working party for better use of space (consistently with good accommodation standards).	Pilots running or planned in six locations.
	Reduce energy consumption by 3%.	Overall energy consumption reduced by 2%.

Table F (Contd)

Key Objectives	Tasks and targets	Result
Extend the benefits offered by IT developments.	Carry out staff inspection reviews of around 750 posts together with a wide range of consultancy reviews.	560 posts reviewed, with other consultancy reviews in addition. Job evaluation carried out on 180 benchmark posts (including Controller posts.)
	Carry out efficiency scrutinies of 2 significant areas of work.	Two efficiency scrutinies carried out.
	Develop purchasing initiatives to achieve new savings of 3%.	Savings of 4.4% achieved.
	Continue development of systems for automated repayments and caseload management.	Pilots carried out in 3 offices. Live from summer 1993.
	Continue development of pay and file for corporation tax.	First phase completed on 31 March 1993 as planned. Live from October 1993.
	Pilot use of optical character recognition to deal with repayment claims.	Pilot established.
Simplify legislative requirements.	Continue to develop Inland Revenue Office of Nineties (IRON).	14,000 workstations installed.
	Carry forward under Ministerial guidance possible new system for taxation of self employed following public consultation.	Proposals announced in Budget on 16 March 1993.

5. CARING FOR STAFF

- 5.1 People are the Department's most important resource. Its business cannot function effectively without committed, motivated and well-trained people. Recognition of the need to care for its staff underpins the way the Department operates. This is particularly important (but by the same token difficult to achieve) during a period of change when there are inevitable uncertainties about the number of jobs in the future, their location and their type, and when changes in conditions of service are being introduced.
- 5.2 This section looks at specific caring for staff developments during the year and other personnel developments affecting staff in the Department.
- 5.3 To help identify areas for improvement and promote new initiatives, a Caring for Staff Group was formed from a cross-section of people in the Department. Caring for Staff Liaison Officers have also been appointed in every part of the Department. Staff attitude surveys, including a major survey of the staff in Directorate, Operations 1 (covering some 88% of the Department's staff) were conducted in 1992/93. The results have been circulated generally and are being considered.
- 5.4 The Department puts a high priority on achieving its change programme without compulsory redundancies as far as possible. However, they could not be completely avoided and the decision to wind up the Department's video unit led to 4 compulsory redundancies. But the much more substantial reduction in the number of repayment offices from 24 to 5, directly affecting around 1000 people, was achieved without the need for any compulsory redundancies.
- 5.5 The Department has kept up its commitment to keep its staff in the best possible health. During the year a major lifestyle health screening programme began covering all staff. Efforts continue to allow non-smokers to work as far as possible in a smoke-free environment. And preparations are well underway to provide basic ergonomic training to everyone involved in keyboard work to lessen the risk of upper limb disorders.
- 5.6 Extra funding has been provided for local initiatives such as providing or improving canteen facilities, children's play groups and the general office environment.

EQUAL OPPORTUNITIES

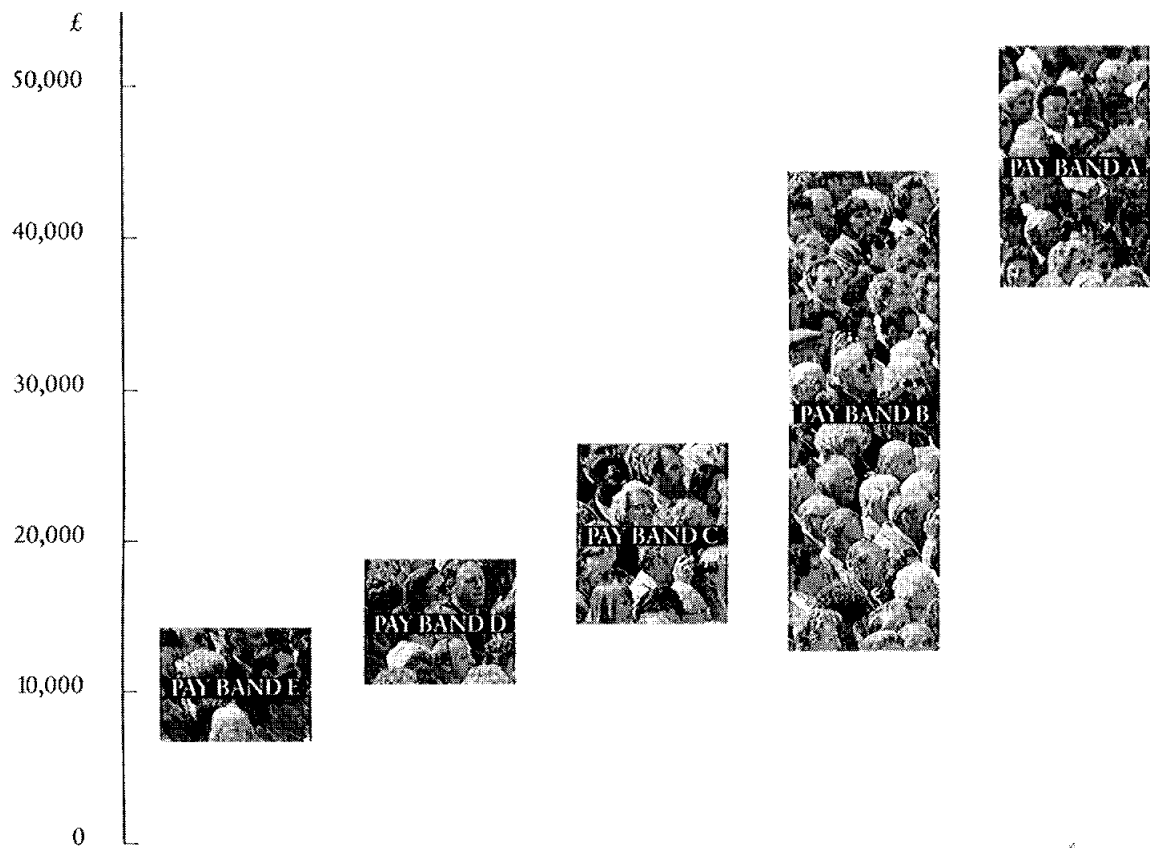
- 5.7 Following equal opportunities awareness training for senior staff in the Department, all executive offices and the Valuation Office Agency have in hand action plans covering all aspects of equal opportunities. All executive offices now have equal opportunities officers and disabled persons officers.
- 5.8 During the year a further 1,500 managers took part in equal opportunities awareness training. A comprehensive information pack has been sent to every member of staff.
- 5.9 For the future, the Department plans initiatives to increase the number of women and people from ethnic minorities at more senior levels. It will provide improved development opportunities for these groups to equip them better to challenge for senior management posts.

PERSONAL DEVELOPMENT AND TRAINING

- 5.10 The Department employs 1239 registered disabled people which represents 1.7% of the workforce. In addition 43 people are employed on the Department of Employment's sheltered placement scheme.
- 5.11 The Department is moving towards a competences approach to training, development and recruitment. Competences are the knowledge, skills and attributes which staff need to carry out their jobs effectively. The Department's staff and management development programmes are being reviewed and will be developed around a competence framework. Almost 1,000 managers undertook the new Management Foundation programme training, run by the Training Office, in 1992/93.

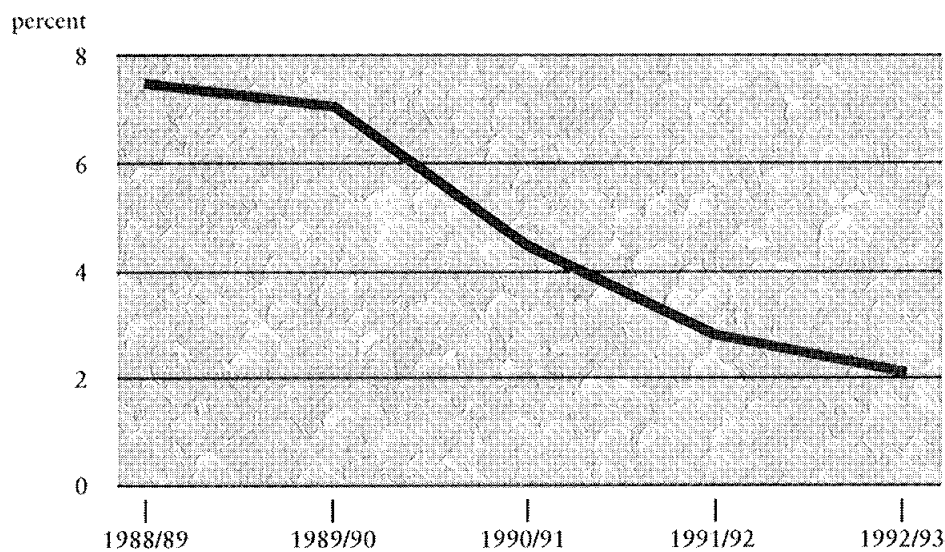
OUTSIDE CONTACTS AND EXPERIENCE	5.12	During 1992 offers of work experience placements were increased to over 2,200. These allow school children and young people to visit our local offices and experience working life in the Department.
	5.13	The Department continued to take part in the Bridge Programme of secondments to and from other organisations. During the year when opportunities for outward secondment were fewer there were 7 new secondments to the private and voluntary sectors and 2 secondments into the Department.
	5.14	During 1992/93, the Department maintained its support for Raleigh International as part of its new development training programme. 16 young officers took part in conservation, scientific and adventure projects abroad.
	5.15	Following pilot initiatives in 1992/93, executive offices have taken part in The Prince's Trust Volunteer Scheme and selected young staff have joined a variety of projects designed to help the local community.
INTERNAL COMMUNICATIONS	5.16	A review of internal communications commissioned from the Industrial Society showed the need for improvement in a number of areas. An Internal Communications Unit has been set up to ensure that news from all sources reaches staff quickly and clearly.
	5.17	The staff newspaper, ReveNews, continues to play an important role in communicating with staff, and won an award for the best new newspaper from the British Association of Industrial Editors.
PERFORMANCE MANAGEMENT	5.18	A Performance Management system was introduced on 1 October 1992. The aims are to improve the quality of management, to focus work on what is important and to motivate and release the full potential of staff. Everyone in the Department has a Performance Agreement describing their responsibilities and setting out the objectives they are committed to achieve. Assessment of performance determines the level of pay increase for the following year. The first pay results took effect in August 1993. Introduction of the scheme is underpinned by a quality assurance process operating at all levels in the Department. This is to ensure that the benefits of the scheme are achieved and that its application is fair and consistent.
PAY AND GRADING	5.19	In July 1992 Ministers gave approval for the Department to take over from the Treasury formal responsibility for the pay and grading of its own staff. Shortly afterwards pay settlements for 1992 were concluded within the remit agreed with Ministers, with all the unions concerned. After extensive negotiations, new long term pay agreements with the unions were concluded in the period from March to May 1993.
	5.20	The new agreements set the framework for operating the new pay structure and complete arrangements for replacing the old system of pay increments by linking pay increases to performance. This formed the basis for the August 1993 pay settlement.
	5.21	A major Job Evaluation exercise was carried out, assisted by consultants. This defined by job weight the new pay band structure and allocated the Department's main job families to the new structure. The new structure consists of five broad pay bands covering all jobs below Grade 3 (Under Secretary). It is designed to improve job and pay flexibility, to reward achievement more directly than under the old grading and pay systems, and improve efficiency and effectiveness.
RECRUITMENT AND RESIGNATIONS	5.22	In the late 1980s, the Department had problems with a high staff resignation rate, especially among staff in London and the South East. The rate is sensitive to the general economic climate and in recent years the problem has eased considerably. Resignations from the Department are now at their lowest since detailed records began in 1977. Rates in London are a quarter lower than the average across the country.

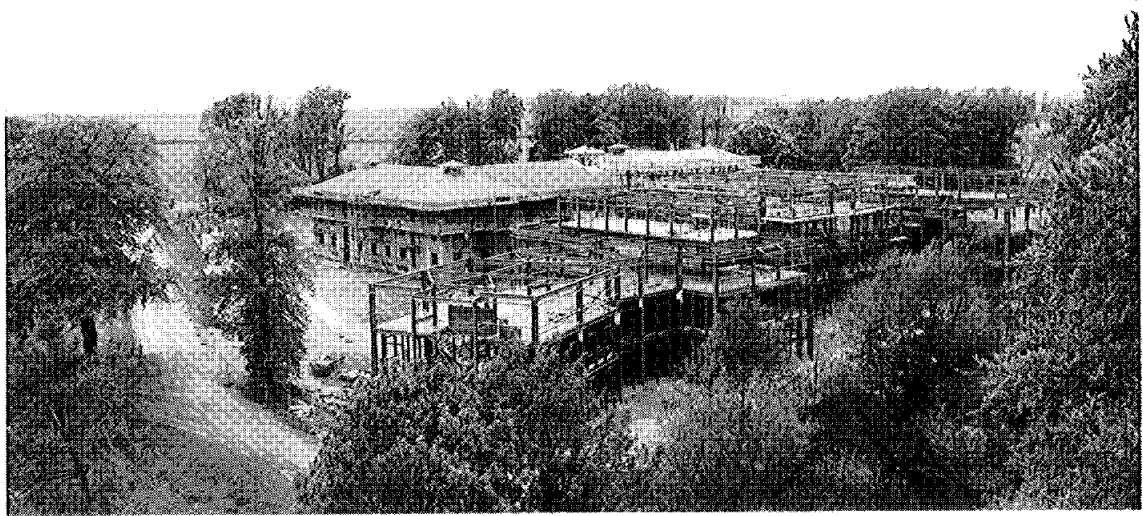
Diagram 6 INLAND REVENUE UNIFIED STAFF GROUP *New pay bands and former grades*



Former grades covered by Pay Bands:
Pay Band A: Grade 4, Grade 5
Pay Band B: Grade 6, Grade 7, Inspector (FT) Trainee, Administrative Trainee, Higher Executive Officer (Development)
Pay Band C: Inspector (S), Regional Collector, Senior Executive Officer, Inspector, Collector Higher Grade, Higher Executive Officer
Pay Band D: Revenue Executive, Executive Officer, Senior Personal Secretary, Senior Support Managers
Pay Band E: Revenue Officer, Administrative Officer, Personal Secretary, Senior Support Grades, Revenue Assistant, Administrative Assistant, Typing Grades, Junior Support Grades

Diagram 7 RESIGNATIONS *Inland Revenue Staff Resignation Rate from 1988/89 to 1992/93*





Top: Construction is well underway for the new national training college at Lincoln.

Bottom: Malcolm Kirk (left), Controller of Inland Revenue Wales and Inland Revenue Midlands, at the new nursery at Llanishen, Cardiff.

- 5.23 Executive offices are now responsible for the recruitment of staff up to and including Pay Band D formerly Revenue Executive. Increasingly the role of the centre is to provide advice and guidance on policy, and to monitor at Department level the recruitment undertaken by local offices.

ACCOMMODATION 5.24 The Department is committed to providing a good working environment for its staff, as well as securing value for money in the provision of accommodation throughout the country. The general standard of accommodation has been improved in recent years. In particular the closure of 19 repayment offices has provided an opportunity to rehouse many staff in modern, high standard buildings.

- 5.25 Work is progressing well with a major new office complex at Castle Meadow, Nottingham. Formal construction work began on 18 January 1993. The buildings are expected to be ready for occupation by the end of 1994. The relocation is being phased over a 3 year period. By the end of 1993 over 1,000 posts will have moved into advance accommodation in Nottingham, almost all from the London area. When complete, the new office complex will house 1,800 Inland Revenue staff.

- 5.26 Work has started on the Department's new national training college at Lincoln. It is expected to open in March 1994. A new building is being erected for 450 staff of the Enforcement Office at Worthing, and there is to be a new Centre 1 building in East Kilbride, which will house 1,600 staff working on PAYE for the whole of Scotland.

PERFORMANCE AGAINST KEY OBJECTIVES 5.27 Table G shows the caring for staff key objectives and associated tasks and targets set out in the Inland Revenue Operating Plan 1992/93, and performance against them.

Table G

Caring for Staff: Performance against Key Objectives

Key Objectives	Tasks and targets	Result
Recruit, manage, train and develop people who will have the skills, expertise and commitment to enable them to carry out their tasks efficiently and effectively in direct support of the Department's business needs; and who will be able to develop their full potential and achieve a high degree of job satisfaction in serving the public.	Implement and monitor the strategic plan for staffing the Department in the 1990s.	The plan has been revised to meet the changing needs of the Department.
	Operate plan on a rolling basis to provide for action on recruitment, pay, career and personal development training and equal opportunities.	Plans in place to implement action in all areas.
	Adapt and develop recruitment procedures in line with changes arising from the management and grading review.	Work in hand. Scrutiny on best approach planned for 1993-94.
	Develop programmes aimed at retaining and motivating staff, through better career development and training, flexibility of working patterns and improved working conditions.	Work continues in all areas. Preparation has begun for the implementation of Personal Development Review and a study of alternative working patterns has been carried out.
	Continue to consult and communicate effectively with all staff and their representatives on all major initiatives affecting their careers or working conditions.	New internal Communications Unit set up.

Table G (Contd)

Key Objectives	Tasks and targets	Result
	Carry forward changes to the systems of performance management, appraisal and pay in the light of the Department's review of management and grading.	Performance Management System introduced from 1 October 1992.
Ensure equal opportunities for all to have access on merit to selection, promotion, career development and training.	Introduce a system of equal opportunity monitoring which will identify the barriers to career progression faced by women and/or minority groups under the Programme for Action on Race.	Monitoring of recruitment and promotion arrangements has been carried out.
	Develop and start to implement equal opportunities action plans in all Executive Offices.	Implementation of action plans under way
	Implement the Opportunity 2000 initiative and code on employment of people with disabilities.	Work on Opportunity 2000 is in hand. Further initiatives are expected in 1993-94. Code on employment of people with disabilities implemented.
	Improve childcare provision.	Programme to increase the number of play schemes and nurseries started.
Care for the well-being, health and safety of staff.	Operate guaranteed sale price and relocation facilities for staff transferred at public expense.	Scheme continues to operate.
	Continue operation of the Welfare Service.	Service level agreements have been completed with the Welfare Service's largest executive office customers.
	Develop the Department's health education programme, including implementation of stage 2 of smoking policy, and involvement in Look After Your Heart Campaign.	Negotiations on stage 2 of smoking policy took longer than expected but in July plans to move towards a complete ban on smoking in offices were announced. Involvement in the Look after Your Heart Campaign continued with the Healthy Eating theme for the year.
	Monitor developments in environmental and ergonomic matters, and give any necessary training to ensure staff comfort and safety, especially in relation to new technology.	Management and Visual Display User guidance issued.

6. TAX ASSESSMENT AND COLLECTION

- 6.1 The Department's two operational directorates assess and collect the taxes and duties for which the Inland Revenue is responsible.
- RECEIPTS
- 6.2 Details of receipts during the year are given in Appendix 1 (Account 1 and Table 1). Inland Revenue receipts were £3.6 billion lower than in the previous year, a decrease of 4.5%. There were net reductions of £3.9 billion across most duties, notably income tax, £0.8 billion, corporation tax, £2.4 billion, capital gains tax, £0.2 billion, and stamp duties, £0.4 billion. Petroleum revenue tax receipts were £0.3 billion higher.
- DIRECTORATE, OPERATIONS 1
- 6.3 The assessment and local collection of income tax, corporation tax and capital gains tax are carried out through a network of local offices organised since April 1992 into 14 regional executive offices supported by two accounts offices and the Enforcement Office.
- Tax Offices**
- 6.4 The priorities for tax offices in 1992/93 were to:
- meet targets for completing annual programmes of work and for reducing the number of PAYE taxpayers whose tax deductions from earlier years have not been checked and cleared;
 - introduce new service standards for responding to letters from taxpayers and for attending to callers at tax enquiry centres, as reported in Section 2;
 - ensure that major changes to the tax system and organisation were introduced effectively.
- 6.5 Major changes successfully introduced were:
- completing the transfer of PAYE work away from London and the South East to other parts of the country where staffing and accommodation are easier;
 - continuing preparations for the introduction of the new system for assessing and collecting corporation tax – CT Pay and File – on 1 October 1993;
 - commencing the integration of assessment and local collection work to reduce the number of points of contact that taxpayers have with the Department.
- ANNUAL PROGRAMMES OF WORK
- Self-employed**
- 6.6 The self-employed pay tax in two instalments; on or before 1 January and on or before 1 July. But in general this tax is only due if a tax assessment has been sent to the taxpayer at least 30 days in advance. It is important therefore that tax assessments on the self-employed are sent out before 30 November in the previous year.
- 6.7 Apart from those businesses, accounting for about 2.5% of the total, which disappear from sight for one reason or another despite efforts to track them down, virtually all the self-employed are now assessed on time.

PAYE taxpayers

- 6.8 Apart from those with the most complex affairs, the tax position of nearly all PAYE taxpayers is now checked within a year of the end of the relevant tax year (in other words, in the same year that details of their pay and the tax deducted under PAYE are received from their employer).
- 6.9 To ensure that the people whose tax position is not reviewed within a year are not forgotten, there are targets covering the review of their tax position at a later stage. These targets cover the larger, more complex cases (which take much longer to deal with) separately from the rest.

Companies

- 6.10 The existing system for companies' payments of mainstream corporation tax is similar to that for the self-employed (although it will change with the introduction of CT Pay and File from 1 October 1993).
- 6.11 Tax is due and payable nine months after the end of the company's accounting period but again only if an assessment has been sent out at least 30 days before that date. The incidence of corporation tax assessments being made after this deadline has now largely been eliminated.

Table H

Performance Measures and Results:	1991/92	1992/93	1992/93
Tax Office Clerical Work	Result	Target	Result
PAYE cases % Cleared by April from:			
previous years	93	88	96
earlier years			
– large/complex cases	90	88	96
– other cases	99.0	97.0	99.6
Assessments on the self-employed made to meet due date (%)	97.5	97.5	97.5
Reduction in corporation tax assessments made more than one month after earliest due date (%)	–	8	50

- 6.12 Clerical work results against targets for the fourteen regional executive offices are shown in Appendix 4, tables 7 and 8.

Collection Offices

- 6.13 Local collection offices' priorities for 1992/93 were to achieve the targets for:
- the amount of tax outstanding as a proportion of the total tax due for collection;
 - the proportion of collectible assessed taxes unpaid more than three months after the due date;
 - the clearance rate of employers' PAYE deductions referred to the local collector (with particular emphasis on those employers paying more than £4500 per month).
- 6.14 Work in local collection offices is divided between that on assessed taxes (such as those on the self-employed and companies) and that on taxes collected without assessments (PAYE).

- 6.15 The proportion of income tax (excluding PAYE), corporation tax and capital gains tax which had been paid by the end of the collection year November 1991 to October 1992 was 86.7% of the net sum collectible (compared with 87.0% in the previous year). In monetary terms by the year end £24.6 billion was paid as against £3.7 billion unpaid. However the percentage of tax outstanding for more than three months increased from 8.7% to 9.5% and is a reflection of the difficult economic climate.
- 6.16 PAYE is deducted by employers from their employees' pay and passed on to the Revenue each month. Some will pass it on direct to one of the two large accounts offices. Others – in particular those employers paying more than £4,500 PAYE tax each month – will be dealt with by local collection offices. It is the job of the collection office to ensure that these employers are up to date with their monthly payments of PAYE tax. Their targets reflect this responsibility. Results were broadly in line with the targets set.
- 6.17 Credit conditions and the downturn in the economy meant that 1992/93 was once again a difficult year for debt collecting in general. The Department's ability to collect tax was still affected by increased competition from other debt-collecting agencies. Overall the collection service maintained a good performance in difficult circumstances.

Diagram 8

COLLECTIBLE BALANCES

% of assessed taxes outstanding at end of collection year:

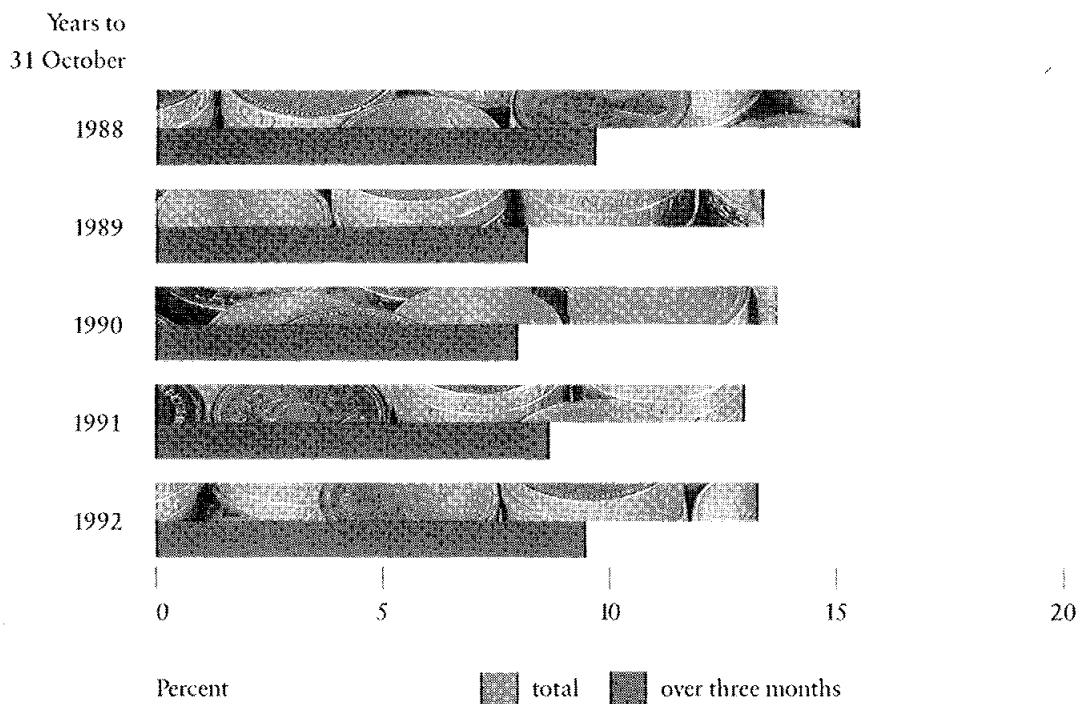


Table I

Performance Measures and Results:	1991/92	1992/93	1992/93
Collection Offices	Result	Target	Result
	%	%	%
Collectible tax on assessments:			
% outstanding			
– overall	13.0	12.9	13.3
– over 3 months	8.7	8.5	9.5
PAYE:			
Average monthly clearance to March			
– Employers paying £20,000+ per month	–	96	97.6
– Employers paying £4,500 – £19,999 per month	–	88	93.0
– Clearance rate to October (all employers)	–	88	89.6

- 6.18 Local collection office results against targets for the fourteen regional executive offices are shown in Appendix 4, table 9.

Accounts Offices

- 6.19 The Accounts Offices at Cumbernauld and Shipley bank and account for tax and national insurance contributions from taxpayers throughout the country. The timely banking of cheques is a high priority. The two offices succeeded in banking all cheques of £10,000 and over, and 99% of all cheques, on the day of receipt.

Table J

Performance Measures and Results:	1991/92	1992/93	1992/93
Accounts Offices	Result	Target	Result
	%	%	%
Percentage of days in the year on which Accounts Offices banked on day of receipt			
– 100% of all cheques of £10,000 and over	99.8	99.2	100
– 99% of all cheques	95.0	96	100

Enforcement Office

- 6.20 The Enforcement Office at Worthing (which covers taxpayers in England and Wales) undertakes recovery action where the local collection office has been unable to obtain or enforce payment. This action may ultimately lead to bankruptcy or winding up.

Table K

Performance Measures and Results:	1991/92	1992/93	1992/93
Enforcement Office	Result	Target	Result
Amount of tax cleared in cases settled (£m)	1,007	830	1,722

- 6.21 Enforcement Office is also responsible for writing off unpaid tax when it becomes impossible to collect it. In the 1992/93 collection year, tax of £1.7 billion was written off compared with £0.9 billion in 1991/92 (see Appendix 1, Tables 4 and 5). The large increase is mainly due to the increase in insolvencies during the recession (more than three-quarters of the total written off is due to insolvencies) and changed procedures for writing off irrecoverable debts earlier.

DIRECTORATE,
OPERATIONS 2

Capital Taxes Offices

- 6.22 The Capital Taxes Office (England, Wales and Northern Ireland) and the Capital Taxes Office (Scotland) are responsible for determining and collecting inheritance tax, and valuing the shares of companies which are not quoted in the Stock Exchange.

Table L

Performance Measures and Results: Capital Taxes Office (England, Wales and N Ireland)	1991/92 Result	1992/93 Target	1992/93 Result
Taxpaying death cases			
– Cases completed	22,250	20,520	19,215
– Cases completed per man year	47	39	37
– Cost per completed case (£)	471	648	672
Share valuations			
– Valuations agreed	34,536	35,570	35,528
– Agreements made per man year	176	160	165
– Cost per agreement (£)	144	161	153
Performance Measures and Results: Capital Taxes Office (Scotland)	1991/92 Result	1992/93 Target	1992/93 Result
Taxpaying death cases			
– Cases closed	3,026	3,300	3,288
– Cases completed per man year	46.9	50	50.1
– Cost per completed case (£)	–	511	502
Share valuations			
– Valuation agreed	3,229	3,315	3,208
– Agreements per man year	159	150	160
– Cost per agreement (£)	–	169	171

- 6.23 The office for England, Wales and Northern Ireland received 10% fewer new cases than forecast because of the 1992 Budget changes, and the recession in the property market. Cases closed were 6% below forecast. Output per man year was close to target. The overall result was a catching up on a backlog of old cases and a general improvement in the workstate, despite the major upheaval caused through moves of staff and work to Nottingham from the main office in London.

Inspector of Foreign Dividends

- 6.24 The Office of the Inspector of Foreign Dividends (IFD) allows relief from United Kingdom tax to non-residents, either by repayment or at source, and charges to tax foreign dividends and interest coming into the United Kingdom via collecting and paying agents. It also charges the Bank of England in respect of tax deducted from government securities and meets requests for the calculation of the rates of overseas tax underlying foreign dividends.

Table M

Performance Measures and Results: Inspector of Foreign Dividends	1991/92 Result	1992/93 Target	1992/93 Result
Income accounted for to IFD (£m)			
– Foreign Dividends and Interest	10,026	8,500	41,308 ⁽¹⁾
– Bank of England	11,527	10,000	11,808
Income (£ thousands) accounted for to IFD per £ of running costs	75.71	76.18	113.12
Claims allowed (thousand)	99,500	98,000	87,694
Cost per claim (£)	33.69	33.99	35.21
Rates of overseas tax computed	5,700	6,500	6,165
Cost per rate (£)	49.99	43.56	59.58
Relief at source:			
Income relieved (£ millions)	720	750	1,070
Income relieved per (£) of running costs	2,641	2,769	3,282

(1) The increase reflects the inclusion of income paid gross to recognised clearing systems and interest on eurobonds of United Kingdom companies, which was excluded from the figure for earlier years.

- 6.25 The office missed some of its targets, largely due to the various disruptions caused by the office relocating to Nottingham from London.

Claims Branch

- 6.26 Claims Branch carries out a range of supervisory, advisory, repayment and assessing functions. These include repaying to financial institutions and charities tax deducted at source, and determining the tax payable by foreign residents and in relation to non-resident trusts. During 1992/93 Claims Branch made tax repayments exceeding £6.4 billion. Almost all cost efficiency targets were exceeded.

Table N

Performance Measures and Results: Claims Branch	1991/92 Result	1992/93 Target	1992/93 Result
1. Trusts and Charities, and Claims Scotland			
Advisory services:			
Items handled	31,415	21,500 ⁽¹⁾	21,066
Unit costs of item (£)	18.18	16.95	20.68
Compliance/Investigation yield (£m)	15.31	–	16.53
Claims paid	126,177	138,100	133,950
Unit cost of claim (£)	14.90	14.72	12.59
2. Claims (Savings and Investment)			
Claims processed	29,495	35,000 ⁽¹⁾	35,770
Average unit cost of claim (£)	40.23	43.33	18.71
Compliance yield (£m)	28.07	–	55.03
3. International			
Number of foreign claims/returns	36,160	54,800 ⁽¹⁾	56,783
Unit cost per case (£)	43.50	28.10	24.81
Number of items of correspondence handled	72,584	75,600	76,839
Cost per item (£)	8.89	8.67	7.63
Number of foreign trusts examined	17,279	20,940	19,715
Cost per case (£)	66.97	62.50	57.19
Investigation yield (£m)	8.82	–	12.45

(1) Forecasts revised because volume lower than expected.

The Stamp Office

- 6.27 The Stamp Office is responsible for assessing and collecting stamp duty and stamp duty reserve tax, and for adjudicating documents for stamp duty purposes.

Table O

Performance Measures and Results: The Stamp Office	1991/92 Result	1992/93 Target	1992/93 Result
Mainstream and Adjudication:			
Documents attracting additional duty (000's)	97.9	85.1	59.2
Off Market Work:			
Returns examined in depth	250	200	200
Visits undertaken	125	125	124
Cost Efficiency:			
Cost of processing one transaction (£)	0.92	1.00	0.90
Cost of collecting £100 of duty (£)	0.33	0.37	0.40
Transactions processed per manyear (000's)	24.5	21.5	24.0
Duty collected per manyear (£m)	6.9	5.8	5.4
Duty collected per transaction (£)	283	269	226

- 6.28 As yield fell because of the higher stamp duty thresholds and the low level of activity in the housing market, the cost of collecting £100 of duty rose to 40p. However running costs were kept below 1991/92 levels, reducing unit costs.

Oil Taxation Office

- 6.29 The purpose of the Oil Taxation Office is to assess and agree liabilities to tax in respect of the activities of the oil sector.

Table P

Performance Measures and Results: Oil Taxation Office	1991/92 Result	1992/93 Target	1992/93 Result
Corporation Tax			
Ring Fence CT Accounts unsettled*	258	170	152
Other CT accounts unsettled*	191	170	173
Petroleum Revenue Tax			
Unsettled appeals against claims decisions more than 3 years old	249	200	149
Unsettled valuation appeals more than 2 years old	63	125	41
PRT-CT reconciliations not settled more than 26 months after accounting date	666	560	586

**for accounting periods ended more than 50 months ago at the report year end.*

- 6.30 The office met or exceeded almost all of its operating targets, but fell a little short of its target for petroleum revenue tax-corporation tax reconciliation settlements. Increased resources have been deployed to this area over the coming year.

Pension Schemes Office

- 6.31 The Pension Schemes Office examines pension scheme applications and determine whether the schemes may be approved for tax purposes. It also monitors schemes to see that they continue to comply with the law, and provides advice on the interpretation and application of the tax rules affecting pension schemes. The number of interim authorisations and approvals increased over the previous year but was significantly below the target. This was mainly caused by the delay in receiving the supporting documentation from fund administrators.

Table Q

Performance Measures and Results: Pension Schemes Office	1991/92 Result	1992/93 Target	1992/93 Result
Scheme outputs:			
Interim authorisations and approvals	42,000	81,900	52,500
continued approvals	23,000	27,900	16,400
Total Output	65,000	109,800	68,900
Ratio of approvals to applications	0.69:1	1.86:1	1.22:1
Output per man year	238	395	235
Cost per unit of output (£)	82.4	50.5	80.0
Work in hand awaiting action at year end	7,970	10,000 *	7,160

*Original target of 5,000 revised during the year to 10,000.



Top: Ken Wood (second from right) and Mel Bennett (far right) of the Oil Taxation Office after a visit to an oil platform in the Ninian field.
Bottom: Geoff Snaydon (fourth from left) of International Division in discussion with members of the Estonian, Latvian and Lithuanian delegations during double taxation talks.

7 TAX POLICY

- 71 The centrepiece of the Department's tax policy work is providing the Chancellor of the Exchequer and other Treasury Ministers with advice on possible tax changes for the Budget and implementing their decisions. The latter includes giving instructions to Parliamentary Counsel to draft the resulting Finance Bill, assisting Ministers in presenting the changes to Parliament and elsewhere, and working with the operational directorates to implement them.
- TIMING OF THE BUDGET AND FINANCE BILL** 7.2 In his 1992 Budget the then Chancellor announced plans to integrate the announcement of tax changes with the announcement of public expenditure proposals. The first integrated Budget will be on 30 November 1993. The change will have the effect of shifting forward the annual cycle of tax policy work by 3½ months. In 1993 there is an overlap of two annual cycles involving a considerable reduction in the normal amount of time to prepare the second Budget and subsequent Finance Bill.
- FINANCE ACT 1993** 7.3 The main changes introduced in Finance Act 1993 are set out in Appendix 3.
- 7.4 A change announced in the March Budget Statement (but for legislation in later Finance Bills) which is of particular importance both to the Department and to taxpayers is the proposed fundamental reform in the system for assessing personal tax. The proposals involve bringing together all sources of income, which are presently assessed separately, in different ways and on different dates, on to a common current year basis to provide a single liability for the year. Taxpayers will be able to calculate their own tax bills or provide the necessary information for the Inland Revenue to do it. The changes will begin to have their main effect from 1996/7.
- CONSULTATION** 7.5 The Department undertakes pre-legislative consultations wherever appropriate. In recent years there has been a substantial increase in the amount of consultation with outside bodies on tax legislation. Consultation can take a number of different forms depending on the nature of the subject matter. During the year formal consultation documents were published on the income tax treatment of company cars, the tax treatment of foreign exchange gains and losses, a simpler system for assessing personal tax, and surplus advance corporation tax. In addition the Deputy Chairman responsible for tax policy and members of subject divisions held meetings with representative bodies on a wide range of issues including Budget and Finance Bill representations. Pre-legislative consultation of one sort or another was held on over half the Inland Revenue clauses in the 1993 Finance Bill – some 69 out of 126 clauses (excluding those relating to rates and allowances and anti-avoidance measures), and of these 63 were published in draft.
- DEREGULATION** 7.6 Reducing the compliance burden on business and taxpayers generally is always one of the key factors considered when evaluating policy proposals and reporting on them to Ministers. With the Government's current deregulation initiative this has taken on particular impetus. All legislation imposing a burden on business will be systematically reviewed over the next few years. Reducing compliance burdens is a major consideration behind the proposals for simplified assessing. But it is also a factor in many other more narrowly focused pieces of legislation. An example of a small but useful deregulatory change in the 1993 Finance Act was the amendment to the procedural rules for Special Commissioners' hearings, allowing them to refer questions of land valuation to the Lands Tribunal without the taxpayer having to lodge a fresh appeal.
- 7.7 Deregulatory considerations are also taken into account in the administrative arrangements for operating the tax system. The work of overhauling forms and leaflets described in Section 2 is one example. Another is the statement of practice issued in October 1992 explaining that assets need normally not be valued for capital gains tax purposes on the occasion of a gift where any tax liability would be deferred. This eliminates the need for taxpayers and the Revenue to incur the costs of agreeing valuations where no immediate tax is at stake.

LINKS BETWEEN OPERATIONS AND POLICY	7.8	The Department has taken a number of steps to strengthen the links between subject divisions and the operational directorates to ensure that policy takes full account of operational requirements and to monitor that tax law is operating in practice as intended.
	7.9	In particular two focus groups were set up to seek suggestions from staff in local offices for policy or legislative changes which would help achieve efficiency savings or improve customer service. They are, in particular, looking at the scope for technical simplification of the tax codes. One group is looking at schedule E and another at capital gains tax.
	7.10	The tax specialists in subject divisions are an important part of the links between these divisions and the operational directorates. They are responsible for technical advice and guidance on policy issues and legislation, responding to submissions from tax offices on difficult cases and assisting in continuing professional education for technical staff.
	7.11	Subject divisions are also responsible for instructing the Solicitor's Office in relation to litigation on tax matters and the tax specialists in those divisions work closely with the lawyers in the Solicitor's Office and Counsel in preparing the Revenue's case.
	7.12	In the case of <i>Pepper v Hart</i> in 1992 the House of Lords decided that, where legislation is ambiguous or obscure or leads to an absurdity, it is appropriate for the courts to look at Parliamentary material when construing the law where that material consists of clear statements by a Minister or other promoter of the Bill. The implications of this decision for the handling of legislation are not confined to Finance Acts but apply generally. It will also have a continuing impact on the conduct of litigation. This is an area which will need to be kept under review in the light of any further developments in the courts.
	7.13	A full statistics and economics service is provided to subject divisions and other parts of the Department by the Statistics and Economics Office. The Office also contributes to the Treasury's economic forecasts and the compilation of government economic statistics.
	7.14	The Department's International Division has taken an active role in discussions of international tax issues multilaterally (eg in OECD) and bilaterally. Developments in the USA have been particularly important. There have been intensive discussions with the US Treasury – in concert with other countries – on US taxation of foreign owned multi-national companies. Concerns at the possibility of discriminatory activity on transfer pricing were allayed in President Clinton's State of the Union address. However the issue of unitary taxation in California remained a major unresolved problem at the end of the year under review. The then Chancellor of the Exchequer announced on 13 May 1993 that the Government would have to take retaliatory measures against US owned companies if the issue was not satisfactorily resolved by the end of the year.
INTERNATIONAL WORK	7.15	Treaty negotiating priorities are now established by a wide-ranging consultative process involving UK industry and other government departments. There has been an increasing emphasis on Latin America, South East Asia and the countries of the former Soviet Union. A substantial contribution has also been made to training and technical assistance programmes in the countries of the former Soviet Union and of Central Europe. Training and technical assistance for Commonwealth countries has continued.
EUROPEAN COMMUNITY MATTERS	7.16	Developments within the Community continue to be of great importance. The Department is increasingly involved in Community activity, not only specifically in the direct tax area but also in such sectors as financial services, insurance and pensions where the advent of the Single Market may have implications for the direct tax system. International Division co-ordinates the Department's work in advising Ministers on EC issues and implementing their policies.

- 7.17 The United Kingdom held the Presidency of the Council of Ministers for the second half of 1992. The major issue for the Department during this period was the Council's response to the Commission's Communication subsequent to the report of the Ruding Committee on corporate taxation. With the agreement of Treasury Ministers, the Department initiated and led negotiations on draft conclusions which were agreed unanimously by Ministers at the Economic and Financial Affairs Council in November 1992. These conclusions were fully in line with UK policy: they prescribe stringent criteria which any future company tax proposals would have to meet, acknowledging in particular the importance of subsidiarity in the tax field. They set the framework for the Commission's future work programme on company tax, and the Department will be actively involved in future discussions on this issue.
- 7.18 In the current year, some other Member States have indicated a desire to reopen negotiations on the Commission's 1989 proposal for an EC-wide withholding tax on interest paid to EC resident individuals. If they succeed, this will be a major issue for the Department. The Department will also be actively involved in discussions arising from the Commission's future work programme on company tax.

8. VALUATION OFFICE AGENCY

RESULTS FOR 1992/93

- 8.1 As well as providing valuation services to the Department in connection with the capital taxes, the Valuation Office Agency undertakes a wide range of work for other Government Departments and the public sector. Two of its main achievements in 1992/93 were
- completion of the valuation banding of all dwellings in England and Wales ready for the introduction of council tax on 1 April 1993
 - resolution of a record number of appeals arising under the 1990 non-domestic Rating Lists
- 8.2 Last year's report described the progress made up to 31 March 1992 on placing some 21 million dwellings in valuation bands for council tax purposes. By that date 4.69m bandings (out of some 12 million) had been undertaken by private sector contractors under the Agency's direction. The balance of this task was completed during 1992/93 resulting in the delivery, as planned, of draft lists to local charging authorities by 1 December 1992 and final compiled lists by 1 April 1993. And between those dates, when the lists were public but before they came into force, the Agency dealt with just over 400,000 enquiries from the public.
- 8.3 The Agency also continued to make substantial progress on the clearance of appeals against the 1990 non-domestic Rating Lists, with some 354,410 cases cleared against a target of 308,000. But the Agency was unable to achieve its target of having 159,000 pre-October 1990 appeals outstanding by 31 March 1993 and 197,000 remained to be cleared. However, it still expects to achieve its objective of clearing all such appeals by 31 March 1994.
- 8.4 During the year preparatory work commenced in connection with the task of revaluing all non-domestic properties (of which there are around 1.7 million) ready for new Rating Lists which will come into force on 1 April 1995.
- 8.5 The Agency continued to undertake a substantial volume of casework for the Department in connection with the direct taxes (target 120,000 cases: outturn 119,733) and also saw demand holding up quite well in relation to work undertaken for other Government Departments and the wider public sector (target 135,000 cases : outturn 130,613).
- 8.6 Productivity targets were exceeded and unit cost targets beaten.

CUSTOMER SERVICE

- 8.7 The Agency published a supplement to the Department's Taxpayer's Charter. This "Message to Customers" is displayed in all offices to which the public has access and sets out the standards of service which both the Agency's customers and the general public are entitled to expect.
- 8.8 The Agency beat its quality of service targets for correspondence turnaround times and timeliness of handling casework. The target for valuation standards was narrowly missed.
- 8.9 These results are summarised in Table R below and further details will be available in the Agency's own Annual Report and Accounts.

Table R

Performance Measures and Results: Valuation Office Agency	1991/92 Result	1992/93 Target	1992/93 Result
Productivity			
– overall local office productivity (weighted outputs per staff year)	120	123	129
– Valuer productivity (weighted work outputs per valuer)	323	329	344
Effectiveness			
– Clearance of non-domestic rating work: initial appeals against the 1990 Lists outstanding at the year end (000's)	409	159	197
Quality of service			
– Timeliness (% of work completed to external and internal time limits)	81%	83%	91%
– Valuation standards (% valuations settled within $\pm 10\%$ of initial valuation when facts settled)	81%	81%	78%
Unit costs (1991/92 target = 100)			
Inland Revenue work	96.1	99.3	88.1
Rating work	98.5	102.7	91.3
Council Tax	100.0	95.7	95.7
Other work	94.3	104.7	89.6

PART 1. General Account of Receipts and Payments

			£
	Balance at 1 April 1992 ¹		398,208,853
RECEIPTS	Inland Revenue Duties:		
		Receipts	Repayments
	Income Tax ²	72,520,361,778	16,057,682,876
	Corporation Tax	19,311,673,450	3,248,514,106
	Capital Gains Tax	1,128,817,857	146,346,500
	Inheritance Tax	1,296,807,144	85,654,200
	Stamp Duties	1,284,652,917	20,385,148
	Development Land Tax	1,118,896	55,902
	Petroleum Revenue Tax ³	1,063,538,015	941,480,710
	Other Duties	—	—
		96,606,970,057	20,500,119,442
			76,106,850,615
	Collected on behalf of other Departments		
	National Loans Fund-Certificates of Tax Deposit and Tax Reserve Certificates		597,351,593
	Department of Energy-Certificates of Tax Deposit ⁴		9,856,263
	DSS-National Insurance contributions		35,118,922,491
	DSS (NI)-National Insurance contributions		752,335,572
	DSS-National Insurance contributions-Revenue Staff		125,902,115
	Fee Stamps		—
	Collected on behalf of other Governments ⁵		1,097,063
			113,110,524,565
PAYMENTS	To Consolidated Fund		
	Inland Revenue Duties		76,345,937,057
	To Other Departments		
	National Loans Fund-Certificates of Tax Deposit		607,202,164
	Department of Energy-Certificates of Tax Deposit ⁴		9,856,263
	DSS-National Insurance contributions		35,134,000,000
	DSS (NI)-National Insurance contributions		742,431,018
	DSS-National Insurance contributions – Revenue Staff		126,510,028
	Fee Stamps		—
	To other Governments ⁵		914,096
	Balance at 31 March 1993		143,673,939
			113,110,524,565

1 The balances at the beginning and end of the year consisted mainly of revenue collected but not yet paid over to the Consolidated Fund or other Departments because at the accounting date it was in transit from local offices to our General Account at the Bank of England.

2 This figure includes amounts paid in advance, over payments, unallocated or unidentified items or sums in transit at 31 March.

3 These figures include amounts in respect of advance petroleum revenue tax.

4 Certificates of Tax Deposit are valid for payment of petroleum royalties and gas levies.

5 Under the terms of some double taxation agreements withholding taxes are deducted in the United Kingdom from foreign dividends paid to certain non-residents. These taxes are deducted on behalf of, and paid to, the Government of the country from which the dividend emanates.

Accounts for the year ended 31 March 1993

PART 2. Inland Revenue Costs

	1991/92	1992/93
	£m	£m
Gross Salaries	1,042.5	1,129.0
Superannuation	157.4	134.4
Accommodation and cleaning	206.5	238.4
Postal	35.6	38.4
Telephones	14.2	15.6
Printing and stationery	23.2	21.9
Travelling and removal expenses	36.8	37.6
Legal expenses	13.4	15.6
Miscellaneous	157.9	147.3
Computers and other capital expenditure	224.0	150.8
 Gross Inland Revenue costs ¹	 1,911.5 ²	 1,929.0
Cost of services performed for other bodies ³	269.3	340.9
 Net Inland Revenue costs ¹	 1,642.2 ²	 1,588.1

¹ The totals and sub-totals have been rounded separately.

² Includes costs of £163.1 million incurred in preparation for the new arrangements for taxation of bank and building society interest.

³ Principally collection of National Insurance contributions, rating and valuation work for other Government Departments, local authorities and other public bodies.

TABLE 1

Tax Yields and Functional Analysis of Use of Resources		1991/92	1992/93
(a) Taxes and National Insurance contributions			
(Yield and Costs of Administration – £ million)			
Income Tax	Yield ¹	57,493.0	56,797
	Number of taxpayers	25,300,000	24,600,000
	of which higher rate ²	1,610,000	1,600,000
	Manpower usage	52,172	49,210
	Cost of administration ³	1,412.2	1,365.7
National Insurance contributions	Yield	35,050.0	35,997
	Manpower usage ⁴	3,449	2,998
	Cost of administration ⁴	104.8	87.7
Corporation Tax ⁵	Yield ¹	18,263.0	15,783
	Number of assessments	835,192	890,443
	Manpower Usage	5,726	5,709
	Cost of administration ³	151.9	158.8
Capital Gains Tax	Yield	1,140.0	982
	Number of assessments	173,638	147,724
	Manpower usage	1,530	1,155
	Cost of administration ³	43.3	38.4
Petroleum Revenue Tax ⁶	Yield ¹	(216.0)	69
	Number of taxpayers	64	58
	Manpower usage	34	42
	Cost of administration ³	2.0	2.6
Inheritance Tax/Capital Transfer Tax/ Estate Duty	Yield	1,299.0	1211
	Number of taxpayers	27,000	23,000
	Manpower usage	803	268
	Cost of administration ³	26.9	26.2
Other taxes (Stamp Duties, Development Land Tax)	Yield ¹	1,698.0	1,265
	Manpower usage	203	236
	Cost of administration ³	5.9	6.3
(b) Valuation Services (excluding Council Tax)			
Revenue Work	Number of cases	119,183	119,733
	Manpower usage ⁷	657	765
	Cost of administration ⁷	17.2	17.3
Other Departments etc	Number of cases	119,384	130,613
	Manpower usage	563	706
	Cost of administration	15.1	18.4
Rating	Number of cases	564,701	599,518
	Manpower usage	3,407	3,713
	Cost of administration	99.6	93.4

¹ Certain amounts of other taxes, paid in advance of a formal assessment, or in transit at the end of the year are all accounted for as income tax in Account 1 above. The yield figures in this table are based on adjusted figures which reflect changes between the beginning and end of the year in the amounts of each duty paid in advance or in transit. These adjustments affect the figures for income tax, corporation tax, petroleum revenue tax and stamp duty.

² Married couples are counted as two people following the introduction of independent taxation.

³ Includes apportioned costs of central administration.

⁴ Also included in figures for income tax above.

⁵ Includes mainstream and all other corporation tax assessments.

⁶ Includes advance petroleum revenue tax.

⁷ Also included in figures for direct taxes above.

Note:

(a) The manpower usage figures are the numbers employed directly on the activity, excluding central administration.

(b) The costs of administration do not include:

(i) the superannuation costs of staff collecting National Insurance contributions;

(ii) receipts from the recovery of legal expenses, services rendered by the Valuation Office on a repayment basis to certain public bodies and housing associations, and statistical and other services.

(c) Some 1991/92 figures have been revised since last years report in the light of more recent information.

TABLE 2 Net Inland Revenue Duties, Costs and Cost/Yield Ratios, 1983/84 to 1992/93
Amounts £ million

	Net Revenue Collected					Cost of Services					Cost/Yield Ratios	
	Gross amount collected by Inland Revenue	Plus Inland Revenue duties collected by other Departments	Less repayments	Less Revenue collected on behalf of Departments	Net receipt of Inland Revenue duties ¹	Salaries	Other costs	Plus costs borne by other Departments	Less services for other bodies which no charge is made ³	Less receipts in respect of services for other bodies which charges are levied ⁴	Total cost of Administering Inland Revenue duties	Cost of collection as percentage of total yield
1983/84	77,539.7	2.6	8,229.4	23,517.3	45,795.6	549.8	236.8	122.3	74.6	47.6	786.7	1.72
1984/85	85,563.5	2.1	9,094.4	26,059.1	50,412.1	569.4	265.5	125.0	75.0	50.5	834.4	1.66
1985/86	93,077.5	0.7	10,518.4	27,040.1	55,519.7	621.5	302.1	133.2	78.7	64.7	913.4	1.64
1986/87	95,810.6	—	10,942.9	27,712.1	57,155.6	663.6	344.6	131.0	82.3	53.4	1,003.5	1.76
1987/88	104,257.5	—	11,487.5	28,411.9	64,358.1	711.0	383.4	137.8	93.4	64.1	1,074.7	1.67
1988/89	112,108.6	—	12,694.8	30,409.1	69,004.7	771.0	374.0	149.2	108.6	64.6	1,120.9	1.62
1989/90	123,936.7	—	15,583.3	31,794.1	76,559.3	859.6	431.6	129.7	118.5	68.1	1,234.3	1.61
1990/91	135,944.8	—	18,641.3	34,839.8	82,463.8	933.4	528.3	141.7	126.6	74.7	1,402.1	1.70
1991/92	137,142.7	—	20,873.0	36,593.9	79,675.8	1,042.5	711.5	157.6	170.1	99.3	1,642.2	2.06
1992/93	133,212.4	—	20,500.1	36,605.5	76,106.9	1,129.0	665.4	134.5	182.4	158.5	1,588.1	2.09

¹ Excludes amounts received on behalf of the National Loans Fund (Certificates of Tax Deposit and Tax Reserve Certificates).

² The figures shown are gross amounts borne on the Inland Revenue vote. They do not include costs borne by other Departments, principally superannuation and, before 1983/84, accommodation and related services provided by the Property Services Agency, or the cost of work carried out on behalf of other bodies. These are dealt with in the following 3 columns.

³ Principally rating and valuation work for other Government Departments and local authorities.

⁴ Principally collection of National Insurance contributions and valuation services for certain public bodies.

TABLE 3 Collection of Principal Assessed Taxes

Position at the end of the year to 31 October	Income Tax other than PAYE			Corporation Tax			Capital Gains Tax			Petroleum Revenue Tax			Total ¹		
	1990	1991	1992	1990	1991	1992	1990	1991	1992	1990	1991	1992	1990	1991	1992
A. Net Tax charged ²	17,878.3	19,946.9	2,1134.6	58,927.7	67,222.8	67,488.0	3,876.4	4,381.2	3,552.7	1,526.0	1,262.6	918.0	82,206.7	92,813.5	93,093.3
B. Collected (as % of A)	9,947.2 (55.6)	11,154.0 (55.9)	12,106.3 (57.3)	15,513.5 (26.3)	14,956.5 (22.2)	11,079.8 (16.4)	1,848.0 (47.6)	1,843.2 (42.1)	1,152.5 (32.4)	1,392.6 (91.3)	1,186.4 (94.0)	898.0 (97.8)	28,701.1 (35.0)	29,140.1 (31.4)	25,236.5 (27.1)
C. Other Amounts ³ Not Collectible (as % of A)	5,442.6 (30.5)	6,041.4 (30.3)	6,347.3 (30.0)	41,791.7 (70.9)	51,078.6 (76.0)	55,548.6 (82.3)	1,822.0 (47.0)	2,313.6 (52.8)	2,203.3 (62.0)	126.5 (8.3)	54.2 (4.3)	17.3 (1.9)	49,182.2 (59.8)	59,487.8 (64.1)	64,116.5 (68.9)
D. Collectible (as % of A)	2,488.5 (13.9)	2,751.5 (13.8)	2,681.0 (12.7)	1,622.5 (2.8)	1,187.7 (1.8)	859.6 (1.3)	206.4 (5.4)	224.4 (5.1)	196.9 (5.5)	6.9 (0.4)	22.0 (1.7)	2.7 (0.3)	4,323.4 (5.2)	4,185.6 (4.5)	3,740.2 (4.0)
E. Net Tax Charge Less Not Collectible (A Less C)	12,435.7	13,905.5	14,787.3	17,136.0	16,144.2	11,939.4	2,054.4	2,067.6	1,349.4	1,399.5	1,208.4	900.7	33,023.9	33,325.7	28,976.8
F. Collected (B as a % of E)	80.0	80.2	81.9	90.5	92.6	92.8	89.9	89.1	85.4	99.5	98.2	99.7	86.9	87.4	87.1

¹ Totals and sub-totals have been separately rounded.² Net tax charged (line A) represents tax assessed during the year plus tax outstanding from past years less amounts discharged (eg following an appeal) or remitted during the year.³ Tax not collectible (line C) represents mainly assessments under appeal where collection of the tax has been stood over.

TABLE 4 Amounts of Tax Remitted or Written Off as Irrecoverable

Year to 31 October	Total	Income Tax	Surtax	Corporation Tax	Capital Gains Tax	Development Land Tax	Inheritance Tax ²	Other Duties
1983	146,090	93,721	1,032	40,912	6,496	2,657	1,256	15
1984	195,368	126,905	2,121	58,051	5,998	1,520	769	5
1985	229,147	138,468	502	75,342	7,562	3,826	3,422	25
1986	299,786	187,088	145	91,365	10,064	3,220	7,898	6
1987	333,294	228,220	204	92,830	8,821	1,701	1,468	50
1988 ^{3a}	629,219	385,025	146	225,597	12,681	4,842	928	0
1989	530,901	366,543	289	151,368	10,856	933	909	3
1990	568,827	364,862	98	184,725	12,076	6,092	970	4
1991	883,923	523,817	274	320,929	29,721	4,187	4,991	4
1992 ^{3b}	1,694,246	1,090,223	785	542,233	57,836	2,549	603	17

£ thousands

¹ Throughout the table totals and sub-totals have been rounded separately.² Includes estate duties and capital transfer tax.³ The steep changes in the amounts written off in 1988 and 1992 reflect changes in the Department's practices as follows:

^a 1988: previously, no outstanding claims in an insolvency were written off until the liquidation and distribution of assets were complete. But under the Insolvency Act 1986 the Department no longer has a preferential claim to assessed taxes in insolvency cases. Distributions to non-preferential creditors occur in only about 5% of cases, and (until 1988) substantial amounts of tax recorded as due to the Department were unlikely to be collected. Since April 1988 the Department has written off this outstanding tax (including that of earlier cases) once a formal claim identifying the non-preferential liability has been lodged.

^b 1992: a review of insolvency cases revealed that preferential liabilities (restricted by the Insolvency Act 1986 to certain debts of PAYE, deductions from subcontractors in the construction industry and class 4 NIC) often remain outstanding for a lengthy period following a formal claim being lodged. For that period the Department can take no practical steps to secure payment. In administrative receiverships the receiver is responsible only for preferential debts. Non-preferential debts therefore remain outstanding until the close of the receivership and are unlikely to be collected for the reasons given in a. The effect of this was a distortion of the Department's performance in pursuing unpaid tax. Debts in insolvencies were not distinguished from other collectible liabilities, to identify their fundamental difference from straightforward collectible tax. As a result of the review, in 1992 the Department introduced procedures for preferential debts in bankruptcies and compulsory/creditor's voluntary liquidations and non-preferential debts in administrative receiverships (including those for earlier years) to be written off once a formal claim for this has been lodged.

For both non-preferential and preferential debts the Department continues to pursue claims for the sums due, and bring to account any payments subsequently received. These arrangements present a more realistic assessment of the taxes likely to be collectible.

TABLE 5
Ground on Which Tax Remitted or Written Off as Irrecoverable

Year to 31 October	Total	REMISSIONS			AMOUNTS WRITTEN OFF			£ thousands
		Hardship ¹	Equity	Miscellaneous ²	Insolvency	Composition ³ Settlements	Taxpayer Gone Abroad or Untraceable	
1983	146,090	2,439	3,077	11,553	83,783	91	45,157	
1984	195,368	1,983	2,453	15,204	124,773	98	50,857	
1985	229,147	1,397	5,320	13,510	160,666	59	48,195	
1986	299,786	1,702	11,113	19,496	204,008	151	63,316	
1987	333,294	1,896	3,927	24,890	241,290	122	61,169	
1988 ⁴	629,219	1,963	4,874	65,486	469,500	269	87,127	
1989	530,901	1,499	5,492	66,275	375,540	461	81,634	
1990	568,827	1,623	5,953	60,149	393,946	694	106,463	
1991	883,923	2,931	7,032	106,187	631,698	1,176	134,899	
1992 ⁴	1,694,246	4,640	6,942	199,886	1,308,826	755	173,198	

¹ The amount remitted on grounds of hardship includes cases of Official Error dealt with under Extra Statutory Concession A19. For 1991 there were 3,022 cases involving £1,460,631 and for 1992 3,450 involving £2,214,217. In addition in a further 2,232 cases of Official Error for 1991 an estimated amount of £2,019,562 was left out of assessment on hardship grounds and for 1992 there were a further 2,580 such cases involving an estimated £2,396,711.

² eg amount recoverable insufficient to justify cost of proceedings.

³ Remission of tax following acceptance of an amount less than the full tax assessed. In such cases the amount accepted in settlement of the liability is not less than the amount likely to be obtained as a result of formal proceedings.

⁴ The reason for this substantial increase in the amounts written off in insolvency cases is explained in footnote 3 of Table 4 above.

TABLE 6 Criminal Proceedings

Nature of offence	Numbers of persons convicted (acquittals in proceedings shown in brackets)				
	1988/89	1989/90	1990/91	1991/92	1992/93
False accounts or returns of income	a) 9(1)	13(3)	11(2)	11	15(2)
False claims to personal allowances, deductions for expenses and repayments	a) 3(2)	1	3	—	—
PAYE: False returns (offences by employers and pay clerks)	a) 9	10	28(2)	13(3)	9(1)
	b) —	1	6	4	—
Sub-contractors exemption certificate fraud	a) 101(1)	132(1)	85(3)	110	65
	b) 53	54	36(2)	29(1)	17(1)
Theft of payable orders and Giro cheques	a) —	—	—	—	—
	b) 157(7)	89(3)	45(7)	70(3)	98(8)
Assaults on Inland Revenue Officers	a) 1	—	—	1(1)	1
	b) —	—	—	—	—
Internal fraud	a) 11	5	10	—	1(1)
	b) 1	1	2	1	—
Miscellaneous	a) 2	4	—	—	—
	b) 16(7)	17(1)	10	10	11(1)
TOTALS	363(18)	327(8)	236(16)	249(8)	217(14)

a) by the Board of Inland Revenue

b) by the Crown Prosecution Service (prosecutions following investigations of offences by the Police).

SIR ANTHONY BATTISHILL KCB Chairman	Business Operations Division	M A JOHNS
	Quality Development Division	K V DEACON
	Finance Division	J M CRAWLEY CB
L J H BEIGHTON CB Deputy Chairman	Personal Tax Division	E McGIVERN
	Capital and Valuation Division	M F CAYLEY
	Statistics and Economics Office	J R CALDER
	Savings and Investment	B A MACE
	Division	
	Financial Institutions Division	M TEMPLEMAN
	Company Tax Division	P LEWIS
	International Division	I R SPENCE
S C T MATHESON CB Deputy Chairman	Business Profits Division	E J GRIBBON
	Information Technology Office	J E YARD
	Information Technology (Strategic Contract)	G H BUSH
	Personnel Division	J GANT
	Management Services	R R MARTIN
	Division	
	Training Office	D J TIMMONS
	Nottingham Project Office	N C MUNRO
C W CORLETT Director General	Central Support Division	R E GERMAN
	Change Management Division	D A SMITH
	Corporate Communications	R HOOPER
	Office	
B E CLEAVE Solicitor of Inland Revenue	Personal Taxation, Rating Collection, Oil and International	G F BUTT
	Profits, Avoidance and Criminal Prosecutions	J G H BATES
	Legislation, Capital Taxes and Stamp Duty	J D H JOHNSTON
	Solicitor (Scotland)	I K LAING
VALUATION OFFICE AGENCY	Deputy Chief Executives:	
	Technical Services	R J PAWLEY
	Personnel and Management Services	A J LANGFORD

HEADS OF EXECUTIVE OFFICES

Regional Executive Offices

R A J Jones and J F Carling⁽¹⁾
Inland Revenue East London
Inland Revenue North and West London
Inland Revenue South London
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Albion House
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Edinburgh
EH3 9SL

R S T Ewing
Inland Revenue Northern Ireland
Dorchester House
52/58 Great Victoria Street
Belfast
BT2 7QE

(1) Mr R A J Jones and Mr J F Carling are jointly responsible for the three London executive offices. From 1 April 1994, Mr R A Jones will be head of a new executive office called the Large Groups Office and Mr J F Carling will head a new merged executive office called Inland Revenue London.

(2) Mr M W Kirk is head of Inland Revenue Wales and Inland Revenue Midlands. From 1 April 1994 these will be combined into a single executive office called Inland Revenue Wales and Midlands.

Other Executive Offices

A Geddes

Accounts Office (Cumbernauld)
Cumbernauld
Glasgow
G70 5TR

P Clark

Accounts Office (Shipley)
Victoria Street
Shipley
West Yorkshire
BD98 8AA

B D Kent

Capital Taxes Office
Commerce Square
The Lace Market
Nottingham
NG1 1HS

I Fraser

Capital Taxes Office (Scotland)
Mulberry House
16 Picardy Place
Edinburgh
EH1 3NB

D Hartnett

Claims Branch
St John's House
Merton Road
Bootle
Merseyside
L69 9BB

R Hooper

Corporate Communications Office
North West Wing
Bush House
Aldwych
London
WC2B 4PP

K Burns

Enforcement Office
South Block
Barrington Road
Worthing
BN12 4XH

C R F Jury

FAMAS Office
South Block
Barrington Road
Worthing
West Sussex
BN12 4XH

J D Easey

Financial Services Office
South Block
Barrington Road
Worthing
West Sussex
BN12 4XH

J E Yard

Information Technology Office
10 Maltravers
London
WC2R 1LB

T R Diggins

Inspector of Foreign Dividends
Prudential Building
72 Maid Marian Way
Nottingham
NG1 6AS

N R Buckley

Internal Audit Office
5th Floor
North West Wing
Bush House
London
WC2B 4PP

R C Mountain

Oil Taxation Office
Melbourne House
Aldwych
London
WC2B 4LL

R G Lusk CBE

Pension Schemes Office
Lynwood Road
Thames Ditton
Surrey
KT7 0DP

B E Cleave
Solicitor's Office
East Wing
Somerset House
London
WC2R 1LB

F J Brannigan
Special Compliance Office
Angel Court
199 Borough High Street
London
SE1 1HZ

K S Hodgson
The Stamp Office
South West Wing
Bush House
Strand
London
WC2B 4QN

Revenue Adjudicator's Office

Elizabeth Filkin
Revenue Adjudicator's Office
3rd Floor
Haymarket House
28 Haymarket
London
SW1Y 4SP

J R Calder
Statistics and Economics Office
West Wing
Somerset House
London
WC2R 1LB

D J Timmons
Training Office
13th Floor
Royal Exchange House
Boar Lane
Leeds
LS1 5PG

PERSONAL
TAXATION

The table below shows the main allowances and thresholds for 1993/94. With the exception of the lower rate band, these remained at their 1992/93 levels.

	1993/94
	£
Personal	3,445
Personal (65-74)	4,200
Personal (age 75 or over)	4,370
Married couple	1,720
Married couple (age 65-74)	2,465
Married couple (age 75 or over)	2,505
Income limit for age-related levels of PA and MCA	14,200
Additional Personal Allowance (mainly for single parents)	1,720
Widows' Bereavement Allowance	1,720
Blind Person's Allowance	1,080
Tax Rates:	
Lower Rate 20%	1-2,500
Basic Rate 25%	2,501-23,700
Higher Rate 40%	over 23,700

Lower rate band

The lower rate band was extended from the first £2,000 to the first £2,500 of taxable income. The band will be further extended to the first £3,000 of taxable income in 1994/95.

Married couple's allowance

From 6 April 1994, the married couple's allowance and related allowances will give relief only at the lower rate of 20 per cent. The allowance for those aged 65 and over will be increased by £200 from 1994/95.

Benefits in kind: Company cars and car fuel

The scale charges for company cars were increased by 8% for 1993/94. From 6 April 1994 they will be replaced by a charge of 35% of the list price of the car, with discounts for business mileage and for cars four or more years old. The scale fuel charge for fuel provided by employers for private use of company cars was increased by 20% for 1992/93. The reduction in the charge for 18,000 or more business miles was abolished from 6 April 1993.

Inheritance Tax

Fall in value relief is extended to shares which are cancelled within twelve months after death or suspended on the first anniversary of the death. The changes apply to deaths on or after 16 March 1992. And the three year qualifying period after death for substituting the sale price of interests in land for the value at death is extended to four years for deaths on or after 16 March 1990.

Charities

The minimum limit on charitable donations qualifying for tax relief under the Gift Aid scheme was reduced from £400 to £250 from 16 March 1993. The annual limit on donations qualifying for tax relief under the payroll giving scheme was increased from £600 to £900 from 6 April 1993.

Stamp Duty

The stamp duty threshold was increased from £30,000 to £60,000 for documents executed on or after 16 March 1993 and not already stamped before 23 March.

**BUSINESS
TAXATION**

Capital Allowances

Enhanced first year capital allowances were introduced for a one year period from 1 November 1992. For machinery and plant the rate is 40%. For new industrial and agricultural buildings contracted for in that period and brought into use by 31 December 1994 the rate is 20%.

Taxation of dividends

The value of the tax credit on dividends paid by UK companies was reduced from 25 per cent to 20 per cent for dividends paid after 5 April 1993.

The income tax charge on dividends was reduced from the basic rate of 25 per cent to the lower rate of 20 per cent.

The rate at which a company accounts for advance corporation tax was reduced from 25 per cent to 22.5 per cent for 1993/94 and to 20 per cent from 1994/95.

Oil Taxation

Petroleum Revenue Tax (PRT) was abolished for fields receiving development consent on or after 16 March 1993, and the rate of PRT for existing fields reduced from 75% to 50% from 1 July 1993. Subject to transitional arrangements, relief for exploration and appraisal expenditure against the PRT profits for existing fields was withdrawn for expenditure incurred on or after 16 March 1993.

Relief for Entrepreneurs

Changes have been made to provide further encouragement to the entrepreneurial sector. Firstly, a new relief was introduced which allows people to defer paying tax on any gain arising from the sale of shares in their own companies to the extent that they re-invest in the shares of other unquoted trading companies. Secondly, the conditions of CGT retirement relief were relaxed by reducing the existing shareholding conditions from, broadly, 25% down to 5% and also allowing full-time employees as well as directors to qualify for the relief. These changes apply to gains on disposals made on or after 16 March 1993.

Groups of Companies: Capital Loss Buying

Restrictions were introduced on the set-off of capital losses brought into a group as the result of a company joining that group. These restrictions apply to losses set-off against gains arising on or after the 16 March 1993 where those losses came from a company which joined the group after 31 March 1987

Business Expansion Scheme (BES)

Relief under the BES will no longer be available to individuals who obtain loans which are connected in any way with shareholdings they acquire through the scheme.

**DOUBLE
TAXATION
AGREEMENTS**

Five new conventions on double taxation were signed during the year. These were with Uganda, Ghana, India, Ukraine and Saudi Arabia (the last a limited air agreement). Agreements with the Falkland Islands and Guyana entered into force and there were negotiations with Bolivia, Colombia, Vietnam, Saudi Arabia and Lesotho. In addition the Government's objectives in respect of the countries of the former Soviet Union were met by the opening of negotiations with the Russian Federation, Ukraine and Kazakhstan.

STATUTORY
INSTRUMENTS

SI Number	Title
SI 1992 No 1059	The Income Tax (Employments) (No 22) Regulations 1992
SI 1992 No 1065	The Income Tax (Sub-contractors in the Construction Industry) (Amendment) Regulations 1992
SI 1992 No 1338	The Taxes (Interest Rate) (Amendment No 2) Regulations 1992
SI 1992 No 1346 (C 44)	The Finance Act 1991, section 58, (Commencement No 2) Regulations 1992
SI 1992 No 1619	The Private Medical Insurance (Disentitlement to Tax Relief and Approved Benefits) (Amendment) Regulations 1992
SI 1992 No 1655	The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1992
SI 1992 No 1745	The Income Tax (Interest Relief) (Qualifying Lenders) Order 1992
SI 1992 No 1746 (C 58)	The Finance Act 1991, section 49, (Appointed Day) Order 1992
SI 1992 No 2073 (C 73)	The Finance Act 1989, section 178(1), (Appointed Day) Order 1992
SI 1992 No 2074	The Income Tax (Manufactured Interest) Regulations 1992
SI 1992 No 2075	The Taxes (Interest Rate) (Amendment No 3) Regulations 1992
SI 1992 No 2326	The Insurance Companies (Pensions Business) (Transitional Provisions) Regulations 1992
SI 1992 No 2451	The Taxes (Interest Rate) (Amendment No 4) Regulations 1992
SI 1992 No 2655	The International Organisations (Miscellaneous Exemptions) Order 1992
SI 1992 No 2744	The Income Tax (Insurance Companies) (Expenses of Management) Regulations 1992
SI 1992 No 2818	The Taxes (Interest Rate) (Amendment No 5) Regulations 1992
SI 1992 No 2915	The Income Tax (Building Societies) (Dividends and Interest) (Amendment No 2) Regulations 1992
SI 1992 No 3066 (C 94)	The Corporation Tax Acts (Provisions for Payment of Tax and Returns) (Appointed Days) Order 1992
SI 1992 No 3133	The Income Tax (Definition of Unit Trust Scheme) (Amendment No 2) Regulations 1992
SI 1992 No 3167	The Taxes (Interest Rate) (Amendment No 6) Regulations 1992
SI 1992 No 3180	The Income Tax (Employments) (No 23) Regulations 1992
SI 1992 No 3181	The Inheritance Tax (Market Makers) Regulations 1992
SI 1992 No 3206	The Double Taxation Relief (Taxes on Income) (Falkland Islands) Order 1992
SI 1992 No 3207	The Double Taxation Relief (Taxes on Income) (Guyana) Order 1992
SI 1992 No 3219	The Income Tax (Interest Relief) (Qualifying Lenders) (No 2) Order 1992
SI 1992 No 3234	The Income Tax (Prescribed Deposit-takers) Order 1992
SI 1992 No 3286	The Finance Act 1986 (Stamp Duty and Stamp Duty Reserve Tax) (Amendment) Regulations 1992
SI 1992 No 3287	The Stamp Duty Reserve Tax (Amendment) Regulations 1992
SI 1993 No 222	The Taxes (Interest Rate) (Amendment) Regulations 1993
SI 1993 No 236 (C 5)	The Finance (No 2) Act 1992, Schedule 9, (Appointed Day) Order 1993
SI 1993 No 415	The Lloyd's Underwriters (Tax) (1990-91) Regulations 1993
SI 1993 No 724	The Income Tax (Sub-contractors in the Construction Industry) (Amendment) Regulations 1993
SI 1993 No 725	The Income Tax (Employments) (No 24) Regulations 1993
SI 1993 No 726	The Income Tax (Employments) (No 25) Regulations 1993
SI 1993 No 727	The Income Tax (Employments) (No 26) Regulations 1993
SI 1993 No 743	The Income Tax (Sub-contractors in the Construction Industry) Regulations 1993
SI 1993 No 744	The Income Tax (Employments) Regulations 1993
SI 1993 No 753 (C 14)	The Finance Act 1989, section 158(1) and (2), (Appointed Days) Order 1993

SI 1993 No 754 (C 15)	The Finance Act 1989, section 178(1), (Appointed Day) Order 1993
SI 1993 No 755	The Income Tax (Indexation) Order 1993
SI 1993 No 756	The Personal Equity Plan (Amendment) Regulations 1993
SI 1993 No 757	The Retirement Benefits Scheme (Indexation of Earnings Cap) Order 1993
SI 1993 No 758	The Taxes (Interest Rate) (Amendment No 2) Regulations 1993
SI 1993 No 759	The Inheritance Tax (Indexation) Order 1993
SI 1993 No 760	The Capital Gains Tax (Annual Exempt Amount) Order 1993
SI 1993 No 933 (C 17)	The Finance Act 1991, section 58, (Commencement No 3) Regulations 1993
SI 1993 No 949	The Income Tax (Interest Relief) (Qualifying Lenders) Order 1993
SI 1993 No 950	The Capital Gains Tax (Gilt-edged Securities) Order 1993

TABLE 7

Clerical Work: PAYE cases % cleared by April from

	Previous Year		Earlier Years			
	1992/3 Target	1992/3 Result	Large/complex cases		Other cases	
			1992/3 Target	1992/3 Result	1992/3 Target	1992/3 Result
IR East	85.0	95.5	90.0	97.3	97.5	99.6
IR East London*	N/A	N/A	N/A	N/A	N/A	N/A
IR Greater Manchester	84.8	97.3	91.2	98.8	96.6	99.8
IR Midlands	86.0	94.6	89.0	96.0	97.0	99.3
IR North	85.5	92.9	79.4	93.6	96.0	98.8
IR North & West London*	N/A	N/A	N/A	N/A	N/A	N/A
IR North West	89.2	96.1	90.8	96.5	97.7	99.7
IR Northern Ireland	91.0	96.3	93.0	97.6	97.5	99.6
IR Scotland	93.0	98.6	90.9	96.7	98.0	99.9
IR South East	87.0	94.1	87.0	95.3	96.5	99.2
IR South London*	N/A	N/A	N/A	N/A	N/A	N/A
IR South West	92.0	97.8	92.0	97.4	97.5	99.9
IR South Yorkshire	84.1	98.1	90.0	98.1	95.5	99.8
IR Wales	95.0	98.1	91.0	94.6	98.0	99.8

*Schedule E work in these offices has been dispersed to offices outside London.

TABLE 8

Clerical Work: Schedule D (Self-Employed) and Corporation Tax

	Schedule D Principal Assessing Programme % made to meet due date		CT assessments made late % reduction	
	1992/3 Target	1992/3 Result	1992/3 Target	1992/3 Result
IR East	97.0	97.8	10.0	51.3
IR East London	95.5	94.3	10.0	65.9
IR Greater Manchester	98.0	98.3	6.0	43.7
IR Midlands	97.6	97.8	10.0	51.1
IR North	98.0	98.6	3.0	60.7
IR North & West London	97.9	97.8	5.0	45.8
IR North West	98.1	98.3	10.0	51.4
IR Northern Ireland	98.6	99.2	10.0	40.7
IR Scotland	97.4	98.6	5.6	45.8
IR South East	97.8	97.2	10.0	36.3
IR South London	97.5	97.2	7.0	49.8
IR South West	97.4	98.7	8.0	44.0
IR South Yorkshire	97.8	98.4	10.0	54.3
IR Wales	97.0	98.1	10.0	37.4

TABLE 9

Local Collection Offices % Employer Months Cleared

	Average monthly Clearance				Clearance Rate Overall	
	Band 1		Band 2		1992/3 Target	1992/3 Result
	1992/3 Target	1992/3 Result	1992/3 Target	1992/3 Result		
IR East	97.0	97.9	90.0	92.6	91.0	87.7
IR East London	92.0	97.1	83.0	92.5	87.0	92.0
IR Greater Manchester	96.0	98.3	86.0	92.3	88.5	88.7
IR Midlands	95.0	97.9	88.0	94.3	88.0	90.8
IR North	94.0	96.5	88.0	91.8	88.0	88.5
IR North & West London	93.0	97.7	84.0	92.8	84.0	90.9
IR North West	96.0	97.9	89.0	93.6	90.0	89.9
IR Northern Ireland	95.0	97.8	88.0	96.2	88.0	88.6
IR Scotland	96.0	97.1	89.0	93.0	75.0	87.5
IR South East	95.0	97.9	85.0	93.4	88.0	89.8
IR South London	93.0	95.9	85.0	90.7	91.0	90.3
IR South West	97.0	97.4	88.0	92.2	89.0	90.0
IR South Yorkshire	96.0	97.8	89.0	93.6	90.0	90.0
IR Wales	98.0	98.0	97.0	94.5	88.0	88.4

Band 1 = employers paying £20,000+ per month

Band 2 = employers paying £4,500-£19,999 per month

TABLE 10

Repayment Claims

	Claims over 3 months old at April 1993	
	Target	Result
IR East	450	81
IR Northern Ireland	1,688 ⁽¹⁾	408
IR North West	375	147
IR Scotland	750	182
IR South West	300	97

(1) Target for Northern Ireland includes targets set by Midlands and Wales, because Northern Ireland took on the claims work previously dealt with in those Regional Executive Offices during 1992/93.

TABLE 11

Summary of additional tax yield

Year Ending 31 March	1989	1990	1991	1992	1993
	(£m)	(£m)	(£m)	(£m)	(£m)
(a) Technical Review Work					
Results in terms of additional profits					
Tax Offices	5,275	7,041	9,213	13,020	15,301
Oil Taxation Office	905	1,145	2,160	2,613	2,213
International Division	312	224	668	565	620
TOTAL	6,492	8,410	12,041	16,198	18,134
Estimated additional tax:					
Tax Offices	995	1,248	1,706	2,398	2,231
Oil Taxation Office	303	343	654	715	535
International Division	79	43	110	123	107
TOTAL Yield (i)	1,377	1,634	2,470	3,236	2,873
(b) Counter-evasion and Counter-avoidance					
Results in terms of additional tax, interest and penalties					
Tax Offices	537.4	696.8	829.8	1,027.8 ⁽¹⁾	1,011.7 ⁽¹⁾
Enquiry Branch	66.4	90.8	115.1	120.7	141.7
Special Office	101.7	145.1	146.0	175.2	207.3
PAYE Audit:	99.8	106.3	107.4	—	—
Local Audit Groups				96.3	115.6
National Audit Groups				24.6	31.1
Special Investigations Section	101.0	112.1	65.5	70.4	38.0
Other Investigation Work	48.7	66.4	132.6	141.2	142.0
Yield (ii)	955.0	1,217.5	1,396.4	1,656.2	1,687.4
(c) PAYE Enforcement					
Yield (iii) Estimated					
worth of accelerated receipts	14.2	22.6	17.3	13.7	11.9
(d) Total estimated yield from all compliance activities listed above					
(i+ii+iii)	2,346	2,874	3,883.7	4,905.9	4,572.3
<i>(1) includes one exceptional case</i>					

TABLE 12

Tax Office Investigation Work

Year Ending 31 March	1989	1990	1991	1992	1993
	(£m)	(£m)	(£m)	(£m)	(£m)
Accounts Investigation	276.1	334.1	385.7	464.2	450.5*
Non-accounts investigations	137.6	199.8	240.1	280.4	282.5
Schedule D Compliance	55.5	62.4	71.3	85.7	86.5
Schedule E Compliance	68.2	100.5	132.7	197.5*	192.2
TOTAL	537.4	696.8	829.8	1,027.8	1,011.7

*Includes an exceptional case.

TABLE 13

Number of investigations settled in Tax Offices or referred to Enquiry Branch

Year ended 31 March	1989	1990	1991	1992	1993
Resulting in interest and penalties	44,261	49,416	51,668	52,669	46,759
Resulting in additional tax only	20,296	20,705	22,809	21,326	21,291
TOTAL	64,557	70,121	74,477	73,995	68,050

TABLE 14

Tax Office Accounts Investigations

	1990/91		1991/92		1992/93	
	Target	Result	Target	Result	Target	Result
Corporation Tax Accounts						
Investigations Taken Up (%)	1.1	1.4	1.1	1.3	—	—
Investigations settled (%)	1.0	1.3	1.0	1.4	—	—
Settlements per unit of staff (SPU)					13	16*
Points per unit of staff (PPU)					137	173*
Average points per investigation (APPI)					10.5	11.0*
Income Tax Accounts						
Settlements per unit of staff (SPU)	31	32	29	30	24	26*
Points per unit of staff (PPU)	165	155	150	146	197	222*
Average points per investigation (APPI)	5.02	4.83	5.11	5.00	8.2	8.7*

*New scoring system introduced.

TABLE 15

Corporation Tax Investigations by Regional Executive Offices

1992/1993						
	SPU		PPU		APPI	
	Target	Result	Target	Result	Target	Result
IR East	11	14	118	154	10.4	10.9
IR East London	14	15	148	167	10.9	10.8
IR Greater Manchester	14	15	151	178	10.8	11.5
IR Midlands	14	15	156	169	10.9	11.4
IR North	15	18	163	210	10.8	11.5
IR North & West London	13	16	135	172	10.2	10.6
IR North West	14	17	147	195	10.9	11.7
IR Northern Ireland	10	14	102	159	10.5	11.5
IR Scotland	13	17	133	189	10.5	11.5
IR South East	13	16	136	171	10.2	10.6
IR South London	13	13	141	144	10.5	10.9
IR South West	14	17	147	182	10.4	10.9
IR South Yorkshire	14	15	149	173	10.3	11.2
IR Wales	15	16	154	171	10.3	10.6

TABLE 16

Income Tax Accounts Investigations by Regional Executive Offices

1992/1993						
	SPU		PPU		APPI	
	Target	Result	Target	Result	Target	Result
IR East	23	23	182	194	8.0	8.5
IR East London	25	27	196	221	7.9	8.3
IR Greater Manchester	24	25	195	223	8.3	8.9
IR Midlands	25	26	209	233	8.4	8.9
IR North	25	27	216	241	8.7	9.1
IR North & West London	25	26	198	220	8.0	8.4
IR North West	24	25	196	221	8.2	8.8
IR Northern Ireland	27	28	238	272	8.9	9.6
IR Scotland	26	26	212	221	8.2	8.6
IR South East	24	25	193	212	8.0	8.4
IR South London	24	25	189	205	7.8	8.3
IR South West	25	25	206	218	8.2	8.6
IR South Yorkshire	25	26	198	222	8.0	8.6
IR Wales	28	29	240	262	8.7	9.1

TABLE 17

PAYE Enforcement Work

Tax Offices	1989 (£m)	1990 (£m)	1991 (£m)	1992 (£m)	1993 (£m)
Results in terms of accelerated receipts	167.0	185.8	136.9	139.3	143.2
Estimated worth of accelerated receipts	14.2	22.6	17.3	13.7	11.9

TABLE 18

PAYE Audit Results

1992/93	
	Target Result
Local Audit Groups	
Inspections per unit of staff (IPU)	69 72
Points per unit of staff (PPU)	476 532
Average points per inspection (APPI)	6.9 7.3
National Audit Groups	
Points per unit of staff	200 200

TABLE 19

PAYE Audit results by Regional Executive Offices

1992/1993						
	IPU		PPU		APPI	
	Target	Result	Target	Result	Target	Result
IR East	67	68	448	517	6.7	7.7
IR East London	66	69	428	522	6.5	7.6
IR Greater Manchester	80	83	541	599	6.8	7.2
IR Midlands	61	66	481	569	7.9	8.6
IR North	70	74	446	475	6.4	6.4
IR North & West London	65	70	415	457	6.4	6.6
IR North West	68	71	476	511	7.0	7.2
IR Northern Ireland	80	79	586	572	7.3	7.3
IR Scotland	78	84	518	602	6.6	7.2
IR South East	75	80	557	616	7.4	7.8
IR South London	83	81	473	504	5.7	6.2
IR South West	65	72	487	523	7.5	7.2
IR South Yorkshire	52	58	364	458	7.0	7.9
IR Wales	70	73	506	578	7.2	8.0

TABLE 20

PAYE Audit Completed Inspections

Year ending 31 March	1989	1990	1991	1992	1993
Completed inspections	66,601	62,688	56,967	—	—
Local Audit Groups				43,184	43,456
National Audit Groups				2,288	2,735
Inspections where	29,452	30,859	30,777	—	—
irregularities discovered	(44.2%)	(49.2%)	(54.1%)		
Local Audit Groups				27,995	33,247
				(64.8%)	(77%)
National Audit Groups				1,587	2,048
				(67.4%)	(75%)

TABLE 21

Other Investigation Work

	Yield 1991/92 (£m)	Yield 1992/93 (£m)
Special Trade Investigation Unit	11.0	12.3
Incentive Valuation Unit	16.8	14.2
Foreign Entertainers Unit	17.5	20.5
Claims Branch	52.2	84.0
Finance Division Control Unit	23.0 ⁽¹⁾	0.3
Section 739	2.1	1.8
Insurance Group	0.3	0.1
Oil Taxation Office	18.3	8.8
TOTAL	141.2	142.0

(1) Includes one exceptional MIRAS settlement of £18.4 million.

TABLE 22

Yield/Cost Ratios	1991/92	1992/93	
TAX OFFICES:			
Company Investigations	10:1	6:1	} 9:1
Company Accounts Compliance	—	39:1	
IT Accounts Investigations	5.5:1	4.4:1	} 4.9:1
IT Accounts Compliance	—	18:1	
Low Turnover			
Accounts Investigations	3:1	6:1	
Non-accounts Investigations	51:1	45:1	
Schedule D Compliance	5:1	5:1	
Schedule E Compliance	17:1 ⁽¹⁾	16:1	
Technical Review Work			
Principal Inspector Offices	168:1	128:1	
Other Tax Offices	19:1	19:1	
PAYE AUDIT			
Local Audit Groups	6:1	7:1	
National Audit Groups	10:1	12:1	
ENQUIRY BRANCH	23:1	23:1	
SPECIAL OFFICES	33:1	35:1	

NOTE

In calculating these ratios the direct yield is compared with the costs of salaries, accommodation and other direct operating overheads met by the Department. No account is taken of the corrective or deterrent effects; although largely unquantifiable, they are almost certainly substantial. For instance people who have been investigated are likely to improve their standard of compliance in future years. Research on unincorporated businesses which have been investigated suggests that this improvement is maintained for at least 5 years effectively doubling the direct yield.

(1) one exceptional case has been excluded

APPENDIX 6

STAFFING

TABLE 23

Recruitment	1991/92	1992/93	1992/93
	Actual	Target	Actual
Fully Trained Inspectors	26	30	33 ⁽¹⁾
Other Inspectors	5	0	0
Pay Bands D (EO level)			
Total taking up duty	281	(2)	63

(1) Includes 3 deferrals from 1991/92

(2) Responsibility delegated, target not set centrally

TABLE 24

Resignations	1991/92	1992/93
Resignation rate %		
Inspector		
FT	1.0	0.85
General Group	0.5	0.26
Overall	0.7	0.46
Other Grades	3.0	2.1

TABLE 25

Distribution of Inland Revenue Staff Permanent Man Years

	1991/92	1992/93
Local Offices		
Tax Offices	43,436	43,746
Collection Offices ⁽¹⁾	8,907	9,153
Regional Offices	1,076	1,190
Valuation Offices	5,218	5,140
Repayment Offices	895	1,257
Sub-total	59,532	60,486
Other Operational Offices		
Capital Taxes Offices	758	786
Claims Branch	602	668
Special Compliance Office	556	569
Inspector of Foreign Dividends	210	193
Oil Taxation Office	42	42
Stamp Office	249	235
Pension Schemes Office	269	275
Sub-total	2,686	2,768
Central Services		
Central Administration &		
Support Services	3,521	3,619
Information Technology	2,636	2,487
Sub-total	6,157	6,106
TOTAL	68,375	69,360

(1) Includes: Local Collection and Audit Offices, Accounts Offices and Enforcement Office.

A. Pamphlets, Statements of Practice and Tax Bulletin

The Inland Revenue publishes a range of explanatory pamphlets about the taxes for which it is responsible. A list of the pamphlets currently available was published in June 1993. This list, and copies of the explanatory pamphlets can be obtained (free of charge) from the Public Enquiry Room West Wing, Somerset House, London WC2R 1LB.

A number of explanatory documents are also published. They are available from the Inland Revenue Reference Library, Room 8, New Wing, Somerset House, London WC2R 1LB as follows (the charges shown are per copy, post free):

Business Economics Notes Nos 1-12 respectively: £0.60 (each)

Travel Agents, Road Haulage, Lodging Industry, Hairdressers, Waste Materials, Reclamation and Disposal, Funeral Directors, Dentists, Florists, Licensed Victuallers, Jewellery Trade, Electrical Retailers, Antique Dealers

Nos 13-18 respectively: £1.00 (each)

Fish and Chip Shops, Pet Industry, Veterinary Surgeons, Catering – General, Restaurants, Fast Foods and Farming.

Fees and Subscriptions paid to Professional and Learned Societies: £5.00

Section 201 of the Income and Corporation Taxes Act 1988 (formerly Section 192 ICTA 1970).

Controlled Foreign Companies; Explanatory notes on the provisions of Part XVII, Chapter IV Income and Corporation Taxes Acts. £10.00

The Tax Treatment of Top-Up Pension Schemes. £1.50

The Department also continues to publish Statements of Practice and proposes to bring these together in a single publication in late 1993. This will replace the existing cumulative index and list of pre-1978 statements.

Tax Bulletin is a new quarterly publication which offers an insight into the thinking of our technical specialists on particular issues. The annual subscription fee is £6 (though Tax Bulletin is issued without additional charge to subscribers to Press Releases). Contact: Inland Revenue Press Office, Somerset House, London WC2R 1LB.

B. Press Releases

The Inland Revenue Press Office issues press releases describing changes and developments in the tax system including budgetary changes. 203 national and 262 local press releases were issued in the year to 31 March 1993. Copies are available on request.

C. Consultative Documents

Four consultative documents have been issued in the year to 31 March 1993:

30 July 1992 Company Cars – Reform of Income Tax Treatment

5 November 1992 A Simpler System for Assessing Personal Tax

16 February 1993 Foreign Exchange Gains and Losses – Draft Clauses in the Tax Treatment of Foreign Exchange Gain and Losses.

16 March 1993 Corporation Tax Surplus ACT – proposals for reform.

D. Policy and Management Documents

Those currently available from the Inland Revenue Library (address as above) on request and the charges per copy (post free) are:

Fiscal incentives for Research and Development Spending (July 1987)	£15.00
Discretionary Trusts – A Research Study (August 1988)	£2.50
Next Steps Action Plan (February 1991)	£1.50
Employee Share Schemes – A Report by KPMG Management Consulting Inland Revenue Economics Papers No 1 (October 1991)	£15.00
Unitary Tax – Review of Progress Towards Resolving The Problems (December 1991)	£2.30
Inland Revenue Management Plan 1993/94 (May 1993)	£13.00
Valuation Office Agency Business Plan 1993/94 (May 1993)	No charge
Valuation Office Agency Corporate Plan 1992/93-1996/97 (June 1993)	No charge

A summary of the Department's performance and plans was included in the Annual Report of the Chancellor's Departments, covering expenditure plans for 1993/94 to 1995/96, published in February 1993 by HMSO (Cm 2217).

E. Statistical Publications

Inland Revenue Statistics 1993 was published in July 1993. It contains a wide range of statistics on the taxes administered by the Inland Revenue covering tax liabilities, the amounts received, and the costs of allowances and reliefs given. Also provided are estimates of the distribution of personal wealth, and analyses of personal and company incomes, capital subject to capital taxation, non-domestic rating and property transactions.

F. Taxes Acts, Tax Cases etc

The Department produces for publication the Taxes Acts (income tax, capital gains tax, inheritance tax, and oil taxation). These volumes also include relevant Statutory Instruments. Also published are leaflets reporting judgments in tax appeals and reports of tax cases. A full list of these is printed in Government Publication Section List 29, obtainable from HMSO.



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