



HM Revenue
& Customs

Annual Report and Accounts 2014-15

Financial Statements

Financial Statements

96	Foreword and Principal Accounting Officer's responsibilities
98	Trust Statement
120	Resource Accounts
177	Glossary

Foreword and Principal Accounting Officer's responsibilities

1. Introduction

HMRC is responsible for collecting the majority of tax revenue and its financial information is reported in two separate accounts. The Trust Statement reports the revenues, expenditures, assets and liabilities related to the taxes and duties for the financial year. The Resource Accounts reports the costs of running HMRC including making payments of Child Benefit and tax credits. The Valuation Office Agency results are consolidated into the Resource Accounts.

2. Basis for the preparation of the accounts

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

Trust Statement

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

Resource Accounts

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

Further guidance followed in the preparation of the accounts

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

3. Principal Accounting Officer's responsibilities

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

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

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

4. Accounting officers for the Resource Accounts

For 2014-15 the Principal Accounting Officer was Lin Homer. HM Treasury has appointed an additional accounting officer, Penny Ciniewicz, Chief Executive of the Valuation Office Agency, to be accountable for those parts of the department's accounts relating to specified lines of the Estimate and the associated assets, liabilities and cash flows. This appointment does not detract from the HMRC Principal Accounting Officer's overall responsibility for the department's accounts.

The allocation of accounting officer responsibilities in the department was as follows:

Estimate sections A, C, D-I and L-O: Lin Homer, Principal Accounting Officer.

Estimate sections B, J and K: Penny Ciniewicz, Chief Executive of the Valuation Office Agency.

Please see SOPS note 2 in the Resource Accounts.

5. Auditors

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

The notional charge for both these audit services is disclosed in the Resource Accounts (see note 4). No non-audit work was carried out by the auditors for HMRC.

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Lin Homer

Principal Accounting Officer

15 July 2015

Trust Statement

99	Trust Statement Audit Report of the Comptroller and Auditor General to the House of Commons
101	Statement of Revenue, Other Income and Expenditure
102	Statement of Financial Position
103	Statement of Cash Flows
104	Notes to the Trust Statement
119	Accounts Direction given by HM Treasury
177	Glossary

Trust Statement Audit Report of the Comptroller and Auditor General to The House of Commons

I have audited HM Revenue and Customs' (the department's) Trust Statement for the year ended 31 March 2015 under the Exchequer and Audit Departments Act 1921. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Foreword and Principal Accounting Officer's responsibilities, the Principal Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the department and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the department; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the HM Revenue and Customs Trust Statement gives a true and fair view of the state of affairs of the collection and settlement of taxes, duties, National Insurance Contributions, Student Loan recoveries, fines, penalties and related expenditures and disbursements administered by the department as at 31 March 2015 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion, the information given in the: *Foreword by Lin Homer*, the 'Performance' section of the Annual Report, the 'How we are structured' section of the Governance Statement, and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

Further details arising from my examination can be found in my Report on the 2014-15 Accounts of HM Revenue and Customs, under Section 2 of the Exchequer and Audit Departments Act 1921, on page R1.

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

16 July 2015

Statement of Revenue, Other Income and Expenditure

For the year ended 31 March			
	Note	2015 £ bn	2014 £ bn
Taxes and duties			
Income tax	2.2	163.1	162.1
Value Added Tax	2.3	113.9	108.2
Corporation Tax	2.4	41.4	40.3
Hydrocarbon oils duties	2.5	27.2	26.9
Stamp taxes	2.6	13.5	12.9
Alcohol duties	2.7	10.7	10.4
Tobacco duties	2.8	9.3	9.6
Other taxes and duties	2.9	27.2	25.3
Total taxes and duties		406.3	395.7
Other revenue and income			
National Insurance Contributions	3.1	108.0	106.7
Student Loan recoveries	3.3	1.8	1.5
Fines and penalties		1.6	1.4
Taxation due from Isle of Man	3.4	-	0.5
Total other revenue and income		111.4	110.1
Total revenue		517.7	505.8
Expenditure			
Impairment charges	7.1	(6.1)	(5.5)
Movement in provisions	8.1	(6.6)	(0.9)
Total expenditure		(12.7)	(6.4)
Disbursements			
National Insurance Contributions due to the National Insurance Funds and National Health Services	3.1	(107.5)	(106.1)
Appropriation of revenue to Resource Accounts	3.2	(31.5)	(30.7)
Student Loan recoveries due to the Department for Business, Innovation and Skills		(1.8)	(1.7)
Taxation paid to Isle of Man	3.4	(0.2)	-
Total disbursements		(141.0)	(138.5)
Total expenditure and disbursements		(153.7)	(144.9)
Net revenue for the Consolidated Fund		364.0	360.9

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

The notes at pages 104 to 118 form part of this statement.

Statement of Financial Position

As at 31 March	Note	2015 £ bn	2014 £ bn
Non-current assets			
Receivables falling due after one year	4	0.9	0.8
Current assets			
Receivables	4	16.6	16.9
Accrued revenue receivable	4	89.7	89.3
Total current assets		106.3	106.2
Total assets		107.2	107.0
Current liabilities			
Payables	5	17.4	14.7
Accrued revenue payable	5	29.8	28.8
Deferred revenue	5	1.0	0.8
Cash and cash equivalents	5.1	1.3	1.2
Total current liabilities		49.5	45.5
Assets less current liabilities		57.7	61.5
Non-current liabilities			
Provision for liabilities	8	14.7	8.5
Net assets		43.0	53.0
Movements on Consolidated Fund account:			
Balance on Consolidated Fund account as at 1 April		53.0	46.6
Net revenue for the Consolidated Fund		364.0	360.9
Less amount paid to Consolidated Fund		(374.0)	(354.5)
Balance on Consolidated Fund account		43.0	53.0

Lin Homer

Principal Accounting Officer

15 July 2015

The notes at pages 104 to 118 form part of this statement.

Statement of Cash Flows

For the year ended 31 March		2015 £ bn	2014 £ bn
	Note		
Net cash flow from operating activities	A	373.9	355.3
Cash paid to the Consolidated Fund		(374.0)	(354.5)
Increase/(decrease) in cash in this period	B	(0.1)	0.8

Notes to the Statement of Cash Flows

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

For the year ended 31 March	2015 £ bn	2014 £ bn
Net revenue for the Consolidated Fund	364.0	360.9
(Increase)/decrease in non-cash assets	(0.2)	(8.4)
Increase in liabilities	3.9	2.3
Increase in provision for liabilities	6.2	0.5
Net cash flow from operating activities	373.9	355.3

B: Analysis of changes in net funds

For the year ended 31 March	2015 £ bn	2014 £ bn
Increase/(decrease) in cash in this period	(0.1)	0.8
Net funds as at 1 April (opening bank balance)	(1.2)	(2.0)
Net funds as at 31 March (closing bank balance)	(1.3)	(1.2)

Notes to the Trust Statement

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

1. Statement of accounting policies

1.1 Basis of accounting

The Trust Statement is prepared in accordance with:

- the accounts direction issued by HM Treasury under the Exchequer and Audit Departments Act 1921
- the 2014-15 Financial Reporting Manual issued by HM Treasury
- International Financial Reporting Standards adapted or interpreted for the public sector context
- the accounting policies detailed in subsequent notes.

The accounting policies have been developed by HMRC in consultation with HM Treasury and have been reviewed during 2014-15. These policies have been applied consistently in dealing with items considered material in relation to the accounts. The Trust Statement is prepared on a going concern basis.

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

The financial information presented is rounded to the nearest £0.1 billion, except for Certificates of Tax Deposit, Student Loan recoveries, revenue losses, and provision for liabilities, which are rounded to the nearest £1 million, due to the much smaller amounts of revenue accrued.

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

1.2 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention. Taxes and duties are accounted for on an accruals basis, except for Stamp Duty and National Insurance Classes 1A, 1B and 3, which are accounted for on a cash basis as agreed with HM Treasury. In addition, some repayments are accounted for on a cash basis. Accounting for these elements on a cash basis does not have a material impact on the accounts.

1.3 Revenue recognition

Taxes and duties are measured at the fair value of the consideration received or receivable net of repayments. Revenue is recognised when: a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to HMRC. The taxable events for the main taxes and duties are described in note 2 below. Note 4 provides an explanation of accrued revenue receivable,

note 6 describes the circumstances and approaches used where estimation of accruals is needed and note 8 provides an explanation of provisions and contingent liabilities. Revenues are deemed to accrue evenly over the period for which they are due.

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

2 Accounting policies and analysis

2.1 Total revenue

For the year ended 31 March	2015 £ bn	2014 £ bn
Total revenue	517.7	505.8

Total revenue increased by two per cent, as a result of growth in the economy. This is reflected by rises in most taxes and duties and is particularly evident in the manufacturing and finance sectors.

2.2 Income tax

For the year ended 31 March	2015 £ bn	2014 £ bn
Self Assessment	23.0	25.9
Other income tax revenue (including PAYE)	140.1	136.2
Total	163.1	162.1

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

Income tax accounted for 32 per cent of total revenue and increased one per cent compared to 2013-14, as a result of growth in the economy leading to higher levels of employment and higher wages resulting in an increase in PAYE receipts. Self Assessment has fallen slightly due to the impact of forestalling, due to a reduction in the additional rate of tax that was announced in 2012-13, to take effect in 2013-14. As a result individuals deferred receipt of some income so it was received in the 2013-14 year rather than the 2012-13 year. The impact of this meant peak receipts were received for 2013-14 but stabilising again in 2014-15.

2.3 Value Added Tax

For the year ended 31 March	2015 £ bn	2014 £ bn
Gross revenue	191.3	183.8
Less: revenue repayable	(77.4)	(75.6)
Net revenue	113.9	108.2

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

Value Added Tax accounted for 22 per cent of total revenue and increased five per cent compared to 2013-14, as a result of significant increases in receipts for the automotive, business services and more notably, the manufacturing sectors. As output has grown, manufacturers have increased their purchases of raw materials and there are increases in the sale of manufactured goods. Household spending has been on a steady rise (at its strongest rate for four years), as consumers spend more money on goods and services. This has been particularly evident in the food, oil, motor fuel and domestic gas sectors.

2.4 Corporation Tax

For the year ended 31 March	2015 £ bn	2014 £ bn
Total	41.4	40.3

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

Corporation Tax accounted for eight per cent of total revenue and increased three per cent compared to 2013-14, as a result of improvements to profits across all UK incorporated company sectors, particularly the financial sector.

2.5 Hydrocarbon oils duties

For the year ended 31 March	2015 £ bn	2014 £ bn
Road fuel	26.6	26.3
Rebated fuel	0.6	0.6
Total	27.2	26.9

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

Hydrocarbon oils accounted for five per cent of total revenue and increased one per cent compared to 2013-14, due to a reduction in pump prices and a rise in the number of diesel cars in use due to the reported fuel economy and lower road tax, which has driven an increase in diesel consumption.

2.6 Stamp taxes

For the year ended 31 March	2015 £ bn	2014 £ bn
Stamp Duty Land Tax	10.5	9.7
Stamp Duty Reserve Tax	2.6	2.8
Stamp Duty	0.3	0.3
Annual Tax on Enveloped Dwellings	0.1	0.1
Total	13.5	12.9

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

Stamp Duty is recognised in the accounting period in which the tax receipt is received and is measured as the cash amount received. Repayments of Stamp Duty are made on a cash basis – these are recognised in the period the repayment is made.

Annual Tax on Enveloped Dwellings (ATED) – this tax relates to residential properties owned by ‘non-natural’ persons, for example, companies, and the taxable event is based on the market value of the relevant property (or properties) being greater than £2 million at 1 April each year.

Stamp taxes accounted for three per cent of total revenue and increased five per cent compared to 2013-14. The increase is primarily due to an increase in Stamp Duty Land Tax transactions and higher prices in both residential and commercial markets.

2.7 Alcohol duties

For the year ended 31 March	2015 £ bn	2014 £ bn
Wine, cider and perry	4.2	4.1
Beer	3.4	3.3
Spirits	3.1	3.0
Total	10.7	10.4

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

Alcohol duties accounted for two per cent of total revenue and increased two per cent compared to 2013-14. This increase is primarily due to a small duty rate rise for sparkling cider, perry and wine that have high alcohol percentage.

2.8 Tobacco duties

For the year ended 31 March	2015 £ bn	2014 £ bn
Cigarettes	8.1	8.4
Hand rolling tobacco	1.1	1.1
Cigars	0.1	0.1
Total	9.3	9.6

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

Tobacco duties accounted for two per cent of total revenue and decreased three per cent compared to 2013-14, as a result of a continuing decline in the usage of tobacco products.

2.9 Other taxes and duties

For the year ended 31 March			
	Note	2015 £ bn	2014 £ bn
Capital Gains Tax*	2.9.1	5.7	3.9
Inheritance Tax*		3.8	3.7
Customs duties		3.2	2.9
Air Passenger Duty		3.2	3.0
Insurance Premium Tax		2.9	3.0
Bank Levy		2.7	2.2
Betting and gaming duties		2.3	2.3
Climate Change Levy	2.9.2	1.8	1.2
Landfill Tax		1.1	1.2
Aggregates Levy		0.4	0.3
Capital taxes - (UK Swiss Agreement)	2.9.3	0.1	0.5
Petroleum Revenue Tax*	2.9.4	0.0	1.1
Total		27.2	25.3

* Repayments for Capital Gains Tax, Inheritance Tax and Petroleum Revenue Tax are made principally on a cash basis - these are recognised in the period the repayment is made.

Other taxes and duties accounted for five per cent of total revenue and increased eight per cent compared to 2013-14. Significant year-on-year changes are further explained below.

2.9.1 Capital Gains Tax (CGT) increased by 46 per cent, as a result of higher than expected equity, and land and property transaction values in 2013-14 leading to an increase in revenue for 2014-15.

2.9.2 Climate Change Levy (CCL) increased by 50 per cent, due to introduction of the Carbon Price Floor on 1 April 2013. This increased the tax liability of CCL operators who generate electricity by using gas and fossil fuels. This continued to have an impact on tax receipts for 2014-15

2.9.3 Capital Taxes - (UK Swiss Agreement). In October 2011, the UK and Switzerland finalised an agreement on tackling tax evasion. The UK-Swiss Agreement will cover tax liabilities in the years 2003-12 through both a payment for the past charge, and from 2014 onwards payment of a future withholding tax.

The decline in revenue was expected as revenue for current and future withholding tax liabilities would be significantly lower than the past charge element, which related to liabilities in years 2003-12.

2.9.4 Petroleum Revenue Tax (PRT) revenue is £46 million but does not appear in the table because financial information is rounded to the nearest £0.1 billion. PRT is a field-based tax charged on the profits arising from oil and gas production, and seeks to obtain the government share of the extra amount earned from the production (economic rent). It allows a project to rapidly recover its costs, then is taxed at an appropriate rate. This ensures the tax due is paid as early as possible. A significant fall in oil and gas prices combined with unplanned shutdowns and a continuing decline in production from older fields has led to a decrease in production income. There also continues to be a high level of capital expenditure due to maintenance and decommissioning costs.

These factors have contributed to lower profits and in some instances losses which have resulted in repayments to field operators. Revenue decreased by £1.1 billion when compared to 2013-14.

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

3.1 National Insurance Contributions

For the year ended 31 March			
	Note	2015 £ bn	2014 £ bn
National Insurance Fund Great Britain (NIF GB)		84.0	84.0
National Insurance Fund Northern Ireland (NIF NI)		1.7	1.6
National Health Services (NHS)		22.3	21.1
Total National Insurance Contributions (NICs)		108.0	106.7
NICs losses	7.2	(0.5)	(0.6)
NICs due to NIF and NHS		107.5	106.1

National Insurance Contributions (NICs) are collected by HMRC on behalf of the National Insurance Funds (NIF) of Great Britain and Northern Ireland, and the Health Services for England, Wales, Scotland and Northern Ireland. NICs collected by Self Assessment was £2.6 billion and collection from other income tax revenue (including PAYE) was £105.4 billion. They are payable to the funds and the health services when received and not when accrued. Some elements are estimated (refer to Note 6 for further information).

National insurance classes 1A, 1B and 3 receipts are recognised in the accounting period in which the contributions are allocated.

NICs accounted for 21 per cent of total revenue and increased one per cent compared to 2013-14. The increase is due to the growth in the economy which has led to higher levels of employment and a subsequent increase in NICs.

3.2 Appropriation of revenue to the Resource Accounts

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

3.3 Student Loan recoveries

	2015 £ m	2014 £ m
Balance at 1 April	(115)	65
Receipts - included in 'other revenue and income'	1,795	1,490
Payments made to Business Innovation and Skills	(1,540)	(1,670)
Adjustment for prior year estimates	(51)	-
Balance at 31 March - Included in (receivables)/payables	89	(115)

HMRC collects Student Loans on behalf of the Department for Business, Innovation and Skills (BIS). The majority of Student Loans are collected through the PAYE tax system. An element of Student Loans are collected through the Self Assessment tax system, which are accounted for on an estimated basis. A correcting adjustment has been made as previous estimates have differed from actual receipts. The balance at year-end is shown as a receivable or a payable.

3.4 Taxation due to or from the Isle of Man

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

4. Receivables and accrued revenue receivable (ARR)

	Receivables as at 31 March 2015 £ bn	Accrued revenue receivable as at 31 March 2015 £ bn	Total as at 31 March 2015 £ bn	Total as at 31 March 2014 £ bn
Non-current assets				
Receivables due after one year:				
Inheritance Tax	0.9	-	0.9	0.8
Totals before impairment	0.9	-	0.9	0.8
Less impairment	-	-	-	-
Total non-current assets	0.9	-	0.9	0.8
Current assets				
Receivables and ARR due within one year:				
Income tax	5.5	30.8	36.3	36.7
Value Added Tax	8.8	28.7	37.5	35.9
Corporation Tax	2.2	11.8	14.0	13.5
National Insurance Contributions	3.3	11.3	14.6	14.9
Other taxes and duties	5.3	7.1	12.4	11.8
Totals before impairment	25.1	89.7	114.8	112.8
Less impairment of receivable (note 7.3)	(8.5)	-	(8.5)	(6.6)
Total current assets	16.6	89.7	106.3	106.2
Total assets	17.5	89.7	107.2	107.0

Receivables represent all taxpayer liabilities that have been established, irrespective of whether due or overdue, for which payments have not been received at the Statement of Financial Position date.

Accrued revenue receivable represents amounts of taxes and duties relating to the financial year that are not yet due or received from taxpayers, where these have not been included in receivables and collection is reasonably certain. A proportion of these amounts have been estimated (see note 6).

In addition to receivables and accrued revenue receivables, HMRC has a number of taxpayer liabilities which have been postponed pending finalisation of enquiries. These items arise predominantly under income tax (PAYE/SA) and Corporation Tax. For most cases the revenue is excluded as it cannot be measured reliably and the probability of an economic flow to HMRC is viewed as low. However to ensure all appropriate liabilities are disclosed HMRC undertakes a review of material postponed Corporation Tax cases and an amount of £0.8 billion (2013-14: £0.7 billion) has been included in accrued revenue receivables.

5. Payables, accrued revenue payable and deferred revenue

	Payables as at 31 March 2015 £ bn	Accrued revenue payable as at 31 March 2015 £ bn	Deferred revenue as at 31 March 2015 £ bn	Total as at 31 March 2015 £ bn	Total as at 31 March 2014 £ bn
Value Added Tax	1.8	11.5	-	13.3	12.6
Corporation Tax	9.3	0.6	0.2	10.1	9.6
Income tax	0.1	3.1	-	3.2	2.9
National Insurance Funds and the NHS	3.7	14.6	-	18.3	16.7
Other revenue payables	0.4	-	0.8	1.2	0.7
Payments on account	2.1	-	-	2.1	1.8
Total liabilities	17.4	29.8	1.0	48.2	44.3

Payables are amounts recorded as due by HMRC at the end of the reporting period but payment has not been made. Accrued revenue payable is recognised when:

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

Deferred revenue includes duties and taxes paid in the current year that relate to future accounting periods. There are no payables which fall due after one year.

5.1 Cash and cash equivalents

This amount reflects the net cash and cash equivalents position as at 31 March. The net position includes the cash held in HMRC bank accounts and payments HMRC has authorised to issue out but the money has not cleared through the banking process as at 31 March.

6. Accruals measurement and accounting estimates

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

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

Estimates have been made to support the accrued revenue receivable and payable balances where tax returns reporting taxpayer liabilities or associated tax payments are not filed until after the Trust Statement has been published. The estimates are consistent with those prepared for the March 2015 Budget on the basis of the economic assumptions provided by the Office for Budget Responsibility.

6.1 Uncertainty around the estimates

Statistical models are used to produce the estimates and these are based on a combination of projections based on the most recent revenue flows and forecasts of economic variables on which future revenue flows depend. The forecasts are based on what HMRC believes to be the relevant inputs. HMRC management believe that the levels of variation are acceptable, with a net uncertainty expected to be some £4 billion, which does not affect significantly the reported position and is less than one per cent of total revenue reported in the Statement of Revenue, Other Income and Expenditure.

This uncertainty is based on a combination of evidence from the performance of the models over previous years and takes into account the changes we've made to the models to reflect March 2015 Budget measures, the judgement of professional departmental economists, and statisticians having substantial experience of tax forecasting. The estimates process for each major tax stream is described in more detail below:

6.2 Income tax and National Insurance Class 1 collected under PAYE

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

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

6.3 Self Assessment income tax and National Insurance Contributions Class 4

Accrued revenue receivable represents accrued tax liabilities for 2014-15 where payment is not yet due at 31 March 2015. The estimation process has three stages:

- (i) Estimation of accrued tax liabilities for 2014-15. Due to the nature of the Self Assessment regime, information from actual Self Assessment returns or associated tax payments relating to 2014-15 are not available at the point of estimation. The March 2015 Budget IT Self Assessment forecast has been revised slightly to incorporate the latest head of duty analysis results (see below for more information); the class 4 NICs forecast is as published at March 2015 Budget, as changes due to the latest head of duty analysis are very small.
- (ii) Deduction from the 2014-15 accrued tax liabilities of relevant payments by 31 March 2015. An estimate of these payments is provided by the 'head of duty analysis', a statistical apportionment of total Self Assessment receipts of income tax, NICs Class 4 and Capital Gains Tax.
- (iii) A further deduction for payments due by 31 March but not made by that date (these are included in the receivable balances). The amounts relate to payments on account due on 31 January. The breakdown of the total between income tax and NICs is made by statistical estimation.

6.4 Value Added Tax

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

Such a methodology provides a reliable indication of future accrued revenue receivable and payable, though there remains an element of estimation uncertainty around them. The total estimation uncertainty for all tax streams has been disclosed in note 6.1.

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

6.5 Corporation Tax

Corporation Tax for large onshore companies is paid by four quarterly instalment payments (QIPs). North Sea companies pay their Corporation Tax liabilities in three instalment payments (TIPs). Therefore, separate accrued revenue receivable estimates have been calculated for onshore and North Sea companies.

Onshore companies

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

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

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

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

North Sea companies

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

7. Impairment charges

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

7.1 Breakdown of impairment charges

For the year ended 31 March		2015	2014
	Note	£ bn	£ bn
Revenue losses	7.2	4.2	5.1
Increase/(decrease) in impairment of receivables	7.3	1.9	0.4
Total impairment charges		6.1	5.5

7.2 Revenue losses

For the year ended	Remissions	Write-offs	Total	Remissions	Write-offs	Total
	31 March	31 March	31 March	31 March	31 March	31 March
	2015	2015	2015	2014	2014	2014
	£ m	£ m	£ m	£ m	£ m	£ m
Income tax	181	868	1,049	378	1,290	1,668
Value Added Tax	10	1,426	1,436	70	1,611	1,681
Corporation Tax	5	580	585	9	431	440
Alcohol duties	3	70	73	4	40	44
Tobacco duties	1	2	3	2	3	5
Capital Gains Tax	8	32	40	14	26	40
National Insurance Contributions	66	396	462	141	538	679
Fines and penalties	91	343	434	15	525	540
Other remissions and write-offs	7	148	155	6	31	37
Total revenue losses	372	3,865	4,237	639	4,495	5,134

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

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

Revenue losses – cases more than £10 million (included in revenue losses table)

There were 27 cases (24 cases in 2013-14) where the loss exceeded £10 million, totalling £686 million (£510 million in 2013-14). Specific details are shown below:

There were eight write-offs (four cases in 2013-14) of VAT, interest, surcharge and penalties relating to Missing Trader Intra-Community Fraud (MTIC) more than £10 million each, totalling £158 million (£73 million in 2013-14). All MTIC cases are assessed to establish if there is potential to recover revenue and, where appropriate, proactive insolvency action is initiated.

There were 18 write-offs (20 in 2013-14) relating to insolvency of more than £10 million each. They were for VAT, Customs Duty, Corporation Tax, income tax and Excise Duty including interest, surcharge and penalties totalling £515 million (£437 million in 2013-14).

There was a bulk remission of £13 million for incorrect PAYE repayments/underpayments in respect of 47,547 cases. HMRC recognised this as an official error. The situation was caused by a one-off system error which has been resolved. The likelihood of recovery was low, and it was therefore not considered cost effective to pursue on a value for money basis.

The Governance Statement and the Tax Assurance Commissioner's report sets out the actions HMRC is taking to manage the risk of revenue losses in future years.

7.3 Impairment of receivables

For the year ended 31 March	2015 £ bn	2014 £ bn
Balance as at 1 April	6.6	6.2
Increase/(decrease) in impairment of receivables	1.9	0.4
Balance as at 31 March	8.5	6.6

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

Each year HMRC review and enhance the impairments methodology based on the latest management information available to ensure a robust estimation process. This has been partially responsible for the increase in the impairment alongside the expected increase due to the growth in the receivable balance, which includes new VAT and excise assessments issued as a result of targeted compliance activity.

8. Provision for liabilities and contingent liabilities

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

Contingent liabilities are cases where it is probable that HMRC will be required to settle the obligation but is not able to estimate the amount reliably, or where it is only possible, rather than probable that HMRC will be required to settle the obligation. These are not disclosed where disclosure could seriously prejudice the outcome of legal claims against the department.

Provision for liabilities

	Legal claims £ m	Oil and gas field decommissioning £ m	Total 2014-15 £ m	Total 2013-14 £ m
Balance at 1 April	5,390	3,072	8,462	8,019
Provided in the year	2,064	7,209	9,273	1,881
Provision not required written back	(55)	(2,623)	(2,678)	(996)
Provision utilised in the year	(218)	(189)	(407)	(442)
Balance at 31 March	7,181	7,469	14,650	8,462

8.1 Expenditure - movement in provisions

	Legal claims £ m	Oil and gas field decommissioning £ m	Total 2014-15 £ m	Total 2013-14 £ m
Provided in the year	2,064	7,209	9,273	1,881
Provision not required written back	(55)	(2,623)	(2,678)	(996)
Net movement	2,009	4,586	6,595	885

2013-14 oil and gas field decommissioning includes a Corporation Tax element and is for a five year provision covering the period 2014-15 to 2018-19 (see note 8.3.1).

8.2 Legal claims

Provision for liability

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

Provisions were reviewed during 2014-15. Of the sum of £5.4 billion provided last year £0.2 billion was paid out during the year and it was identified that £55 million was no longer required. New provisions and changes to existing provisions totalling £2.1 billion have been included, giving a carried forward balance of £7.2 billion - a £1.8 billion increase on last year. The table above shows the total provision we have made for more likely than not outcomes.

Contingent liabilities

HMRC currently has 24 cases (21 cases in 2013-14) where the maximum potential tax revenue before losses, capital allowances and other reliefs, is more than £100 million. This covers a range of heads of duty, including Corporation Tax, income tax and VAT.

The total meeting the criteria for contingent liabilities is estimated at £35.6 billion (£29.2 billion as at 31 March 2014).

Contingent liabilities have increased by £6.4 billion since 2013-14. Of this increase, £3.2 billion is due to the revision and reclassification of estimates for cases currently in litigation, taking into account court decisions during the year. In addition, new cases have been identified with an estimated value of £3.2 billion.

8.3 Consequences of oil and gas field decommissioning on revenues from UK oil and gas exploration and production

The 1975 Oil Taxation Act, as subsequently amended, allows for Petroleum Revenue Tax (PRT) losses arising from the decommissioning of infrastructure associated with UK oil and gas fields subject to PRT, to be carried back indefinitely. As a result losses are carried back to years in which assessable profits chargeable to PRT arise, working backwards until the losses are exhausted.

Decommissioning oil and gas fields is a complex and resource intensive process, where the decision to decommission is affected by various factors, amongst which are improvements in extraction techniques, availability of contractors and market prices. Oil companies estimate the future cost of decommissioning their

fields and this information is aggregated in the Oil and Gas UK Activity Survey data. The long lead in time means that plans for decommissioning activity over the five year period to 2019-20 are largely in place. This period also corresponds with forecasts of tax revenues produced by the Office for Budget Responsibility. However, such data is inherently uncertain given the different approaches companies may take to assessing their costs and the profile of decommissioning activity. Beyond 2019-20 the picture is even less clear, but at today's prices the estimate for the period 2015 to 2041 is £41 billion. The Exchequer share of the liability for this period is estimated at £16 billion. A large part of this relief will not be realised in repayments, as it will be deducted from profits chargeable to tax and will serve to reduce tax liabilities.

8.3.1 Provision for decommissioning

We have revised our approach to estimating this provision, taking a longer term view and removing the Corporation Tax (CT) element. The CT losses are not ring-fenced to be used on specific platforms, as they are in PRT and the probability of any repayment being made is much less significant than for PRT. We expect the impact of the allowable losses due to decommissioning costs would be on the assessment of tax through the CT computation, rather than through repayments.

Industry estimates of decommissioning costs are assumed to be the best available, though where provisions are shown in oil company accounts, the considerable level of uncertainty inherent in the cost estimating process is made clear. From the Oil and Gas UK survey reports the total costs of decommissioning for the period 2015-16 to 2019-20 are estimated to be £9 billion and for the period 2020-21 to 2040-41 the estimate is £32 billion, in today's prices. From this information the impact on PRT tax receipts for the two periods is estimated to be a cost to the Exchequer of £1.7 billion and £5.8 billion respectively. The total amount of £7.5 billion (£3.1 billion in 2013-14) is included in the provision for liabilities table. The provision is subject to a considerable level of uncertainty, being calculated using oil and gas survey information, itself an aggregation of industry acknowledged uncertain data. In addition to uncertainties around the cost of decommissioning, the timing of when those costs will be incurred is also uncertain and will be dependent on factors such as oil prices, which will have a bearing on how long a field will be able to generate profit and, therefore, on when it will be decommissioned. The provision utilised in-year of £189 million is the actual Exchequer tax cost for 2014-15 and has been measured by identification of PRT repayments arising from the utilisation of decommissioning losses.

9. Certificates of tax deposits

	CTD issues 2014-15 £ m	CTD redemptions 2014-15 £ m	CTD Total 2014-15 £ m	CTD Total 2013-14 £ m
Receipts	867	593	1,460	933
Payments	(868)	(608)	(1,476)	(928)
Net receipts/(payments)	-	-	(16)	5
Balance at 1 April	-	-	-	(5)
Balance at 31 March - Included in (receivables)/payables			(16)	-

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

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

10. R.N. Limited

R.N. Limited is a registered company that administers, on behalf of HMRC, the holding of charges securing tax debts owed to HMRC. These debts are already fully reflected in the Trust Statement.

R.N. Limited also holds on behalf of HMRC, assets that have been assigned to HMRC in settlement of debts. These are not recognised in the Trust Statement until realised. R.N. Limited's accounts can be viewed at Companies House.

11. Third-party assets

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

The department also holds euro deposits in relation to traders who are located outside the European Union but who are trading electronically via the internet with EU member states. Neither the department nor the government generally have any beneficial interest in these funds.

12. Related party transactions

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

13. Events after the reporting period

There are no reportable non-adjusting events after the reporting period. The financial statements were authorised for issue by the Principal Accounting Officer on 16 July 2015.

Accounts direction given by HM Treasury

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

1. This direction applies to those government departments listed in appendix 2.
2. The department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2015 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2014-15.
3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the department shall comply with the guidance given in the FReM (Chapter 8). The department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the summer recess.
8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
18 December 2014

Resource Accounts

- 121 The Certificate and Report of the Comptroller and Auditor
General to the House of Commons
- 124 Statement of Parliamentary Supply; Notes to the Statement of
Parliamentary Supply
- 134 Consolidated Statement of Comprehensive Net Expenditure
- 135 Consolidated Statement of Financial Position
- 136 Consolidated Statement of Cash Flows
- 137 Consolidated Statement of Changes in Taxpayers' Equity
- 138 Notes to the Resource Accounts
- 177 Glossary

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of HM Revenue and Customs for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Consolidated Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the *Foreword and Principal Accounting Officer's Responsibilities to the financial statements*, the Principal Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Basis for qualified opinion on regularity

The Resource Accounts record £29.1 billion of personal tax credits expenditure in 2014-15. As shown in Note 6.3 to the Resource Accounts, the department's latest estimate is that, in 2013-14, error and fraud resulted in overpayments of between £1.1 billion and £1.4 billion (3.9 per cent to 4.9 per cent) of the final award. These overpayments represent amounts which claimants were not entitled to have. Note 6.3 also shows that the department estimates that error led to underpayments of between £0.15 billion and £0.22 billion (0.5 per cent

to 0.8 per cent) of the final award. Where error and fraud result in over or underpayment of personal tax credits, the transactions do not conform with the Tax Credits Act 2002 and related regulations which specify the criteria for entitlement to personal tax credits and the method to be used to calculate the award.

The department currently has no estimate of the total level of error and fraud in the personal tax credits awards made in 2014-15 and therefore no evidence to demonstrate a lower estimate for overpayments and underpayments attributable to error and fraud in 2014-15. As a result, I have been unable to confirm that, in all material respects, personal tax credits awards conform with the authorities which govern them and have been applied for the purposes intended by Parliament.

I have therefore qualified my audit opinion on the regularity of personal tax credits expenditure because of:

- the probable level of overpayments attributable to error and fraud where payments have not been made for the purposes intended by Parliament; and
- the probable level of under and overpayments in personal tax credits expenditure which do not conform with the relevant authorities.

Qualified opinion on regularity

In my opinion, except for the probable level of error and fraud in personal tax credits expenditure, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the department's affairs as at 31 March 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the: *Foreword by Lin Homer*, the 'Performance' section of the Annual Report, the 'How we are structured' section of the Governance Statement, and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

My Report on HM Revenue and Customs 2014-15 Accounts, paragraphs 5.8 to 5.11, provides further information on the qualification of my audit opinion on the regularity of personal tax credits expenditure.

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

16 July 2015

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (*FReM*) requires HM Revenue and Customs to prepare a Statement of Parliamentary Supply (SOPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

A full breakdown of the lines of the Estimate which form the voted and non-voted totals below are shown in SOPS note 2.

Parliament also controls our expenditure by further categorising it between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). DEL spending is tightly controlled by HM Treasury and firm multi-year plans are required whereas AME spending is demand led, more volatile and is not included in DEL controls.

Summary of resource and capital outturn 2014-15

								2014-15 £m	2013-14 £m
	SOPS note	Voted Estimate	Non- voted Estimate	Total Estimate	Voted outturn	Non- voted outturn	Total outturn	Voted variance: saving	Total outturn
Departmental Expenditure Limit									
- Resource	2.1	3,216.3	302.1	3,518.4	3,135.2	328.9	3,464.1	81.1	3,645.4
- Capital	2.2	249.6	-	249.6	231.7	-	231.7	17.9	218.1
Annually Managed Expenditure									
- Resource	2.1	12,118.7	32,502.9	44,621.6	11,810.8	31,120.5	42,931.3	307.9	42,574.3
- Capital	2.2	1.0	-	1.0	-	-	-	1.0	0.2
Total budget		15,585.6	32,805.0	48,390.6	15,177.7	31,449.4	46,627.1	407.9	46,438.0
Non-budget									
- Resource	2.1	4,720.0	-	4,720.0	4,720.0	-	4,720.0	-	-
- Capital	2.2	-	-	-	-	-	-	-	-
Total		20,305.6	32,805.0	53,110.6	19,897.7	31,449.4	51,347.1	407.9	46,438.0
Of which:									
Total resource	2.1	20,055.0	32,805.0	52,860.0	19,666.0	31,449.4	51,115.4	389.0	46,219.7
Total capital	2.2	250.6	-	250.6	231.7	-	231.7	18.9	218.3
Total		20,305.6	32,805.0	53,110.6	19,897.7	31,449.4	51,347.1	407.9	46,438.0

Net cash requirement 2014-15

SOPS note

			2014-15 £m	2013-14 £m
	Estimate	Outturn	Variance: saving	Outturn
4	19,990.7	19,718.1	272.6	14,852.2

Administration costs 2014-15

			2014-15 £m	2013-14 £m
	Estimate	Outturn	Variance: saving	Outturn
3.2	832.6	797.0	35.6	864.2

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of material variances between the Estimate and outturn are provided in SOPS note 2 on page 130.

The notes on pages 125 to 133 and 138 to 176 form part of these accounts.

Notes to the departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS 1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (*FReM*) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the *FReM* are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA10). ESA10 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy. In addition these objectives support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as described below. A reconciliation of the department's outturn as recorded in the Statement of Parliamentary Supply compared to the IFRS-based Consolidated Statement of Comprehensive Net Expenditure is provided in SOPS note 3.1.

SOPS 1.2.1 PFI and other service concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off Statement of Financial Position treatment. With the introduction of IFRS accounting, properties that the department sold to private sector contractors and subsequently leased back under a PFI contract were capitalised as finance leases under IFRIC 12. However, these properties remain off the Statement of Financial Position for Estimate and budgeting and are treated as resource expenditure within the Statement of Parliamentary Supply.

As described in note 1.6.2, the department has capitalised both its short-term leases with third-party private landlords, which Mapeley manages on its behalf and its short-term leases held directly with third-party private landlords under IAS 17 *Leases* where the relevant conditions are met. These properties are on the Statement of Financial Position for accounting, Estimate and budgeting. The property, 100 Parliament Street, was included on the Statement of Financial Position prior to IFRS and as a result is also still included on the Statement of Financial Position for accounting, Estimate and budgeting. The difference in the Statement of Comprehensive Net Expenditure and Statement of Parliamentary Supply accounting treatment described in this paragraph can be seen as the IFRS asset costs adjustment in SOPS note 3.

As described in note 1.6.3 IT assets, IT non-current assets of our IT suppliers used in the delivery of the PPP contract have been capitalised as finance leases under IFRIC 12. These assets are however off Statement of Financial Position for Estimate and budgeting and are treated as resource expenditure within the Statement of Parliamentary Supply.

SOPS 1.2.2 Provisions – Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and National Accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts.

SOPS 2. Net outturn

The department requests funding from Parliament through the Supply Estimates process. This is a request to Parliament to fund our expenditure. The department is required to ensure that its expenditure remains within the voted limits set by Parliament and detailed below is how we performed against each line of the Estimate.

Voted expenditure includes the costs of running the department as well as payments to individuals for social benefits, payments in lieu of tax relief and certain rates payments made by the Valuation Office Agency. The department also makes payments to external parties which are not subject to the vote system. This non-voted expenditure mainly relates to personal tax credits, other reliefs including certain corporation tax credits and our costs in respect of the National Insurance Fund. Additionally for this year the department has been required to make non-budget payments to top up the National Insurance Fund.

The following tables record our actual outturn against the Estimate for DEL and AME, voted and non-voted, limits set by Parliament for each line of the Estimate. The tables analyse both resource and capital expenditure and are further summarised in the Statement of Parliamentary Supply.

SOPS 2.1 Analysis of net resource outturn by section

	2014-15 £m										2013-14 £m
	Outturn							Estimate net total	Outturn total compared to Estimate net total saving/ (excess)	Outturn total compared to Estimate net total, adjusted for virements	Total outturn
	Administration			Programme		Total					
	Gross	Income	Net	Gross	Income		Net				
Spending in Departmental Expenditure Limit											
Voted:											
A HMRC											
Administration	801.9	(95.3)	706.6	2,454.0	(54.0)	2,400.0	3,106.6	3,177.6	71.0	71.0	3,292.2
B VOA											
Administration	-	-	-	190.7	(193.1)	(2.4)	(2.4)	-	2.4	2.4	(2.1)
C Utilised provisions	18.8	-	18.8	12.2	-	12.2	31.0	38.7	7.7	7.7	33.2
Total voted	820.7	(95.3)	725.4	2,656.9	(247.1)	2,409.8	3,135.2	3,216.3	81.1	81.1	3,323.3
Non-voted:											
D National											
Insurance Fund	71.6	-	71.6	257.3	-	257.3	328.9	302.1	(26.8)	(26.8)	322.1
Total non-voted	71.6	-	71.6	257.3	-	257.3	328.9	302.1	(26.8)	(26.8)	322.1
Total spending in Departmental Expenditure Limit	892.3	(95.3)	797.0	2,914.2	(247.1)	2,667.1	3,464.1	3,518.4	54.3	54.3	3,645.4

SOPS 2.1 Analysis of net resource outturn by section (continued)

Spending in Annually Managed Expenditure	2014-15 £m										2013-14 £m
	Outturn							Estimate net total	Outturn total compared to Estimate net total saving/ (excess)	Outturn total compared to Estimate net total, adjusted for virements	Total outturn
	Administration			Programme			Total				
	Gross	Income	Net	Gross	Income	Net					
Voted:											
E Social benefits and grants	-	-	-	11,602.0	-	11,602.0	11,602.0	11,834.7	232.7	232.7	11,492.1
F Providing payments in lieu of tax relief to certain bodies	-	-	-	99.7	-	99.7	99.7	98.1	(1.6)	0.4	76.4
G Filing incentive payments	-	-	-	-	-	-	-	-	-	-	-
H HMRC Administration	-	-	-	70.6	-	70.6	70.6	145.0	74.4	62.4	24.6
I Payments to add capacity	-	-	-	2.7	-	2.7	2.7	8.0	5.3	5.3	-
J VOA - payments of rates to local authorities on behalf of certain bodies	-	-	-	70.0	(4.1)	65.9	65.9	72.6	6.7	6.7	60.1
K VOA Administration	-	-	-	1.0	-	1.0	1.0	-	(1.0)	-	0.8
L Utilised provisions	-	-	-	(31.1)	-	(31.1)	(31.1)	(39.7)	(8.6)	0.4	(33.4)
Total voted	-	-	-	11,814.9	(4.1)	11,810.8	11,810.8	12,118.7	307.9	307.9	11,620.6
Non-voted:											
M Personal tax credits	-	-	-	29,123.2	-	29,123.2	29,123.2	30,492.0	1,368.8	1,368.8	29,329.2
N Other reliefs and allowances	-	-	-	1,997.3	-	1,997.3	1,997.3	2,010.9	13.6	13.6	1,624.5
Total non-voted	-	-	-	31,120.5	-	31,120.5	31,120.5	32,502.9	1,382.4	1,382.4	30,953.7
Total spending in Annually Managed Expenditure	-	-	-	42,935.4	(4.1)	42,931.3	42,931.3	44,621.6	1,690.3	1,690.3	42,574.3
Non-budget expenditure											
Voted											
O Payments to National Insurance Fund	-	-	-	4,720.0	-	4,720.0	4,720.0	4,720.0	-	-	-
Total non-budget spending	-	-	-	4,720.0	-	4,720.0	4,720.0	4,720.0	-	-	-
Total voted	820.7	(95.3)	725.4	19,191.8	(251.2)	18,940.6	19,666.0	20,055.0	389.0	389.0	14,943.9
Total non-voted	71.6	-	71.6	31,377.8	-	31,377.8	31,449.4	32,805.0	1,355.6	1,355.6	31,275.8
Total	892.3	(95.3)	797.0	50,569.6	(251.2)	50,318.4	51,115.4	52,860.0	1,744.6	1,744.6	46,219.7

SOPS 2.2 Analysis of net capital outturn by section

	2014-15 £m						2013-14 £m
	Outturn			Estimate net total	Outturn total compared to Estimate net total	Outturn total compared to Estimate net total, adjusted for virements	Total outturn
	Gross	Income	Net total				
Spending in Departmental Expenditure Limit							
Voted:							
A HMRC Administration	230.0	(6.0)	224.0	240.6	16.6	16.6	211.0
B VOA Administration	7.9	(0.2)	7.7	9.0	1.3	1.3	7.1
C Utilised provisions	-	-	-	-	-	-	-
Total voted	237.9	(6.2)	231.7	249.6	17.9	17.9	218.1
Non-voted:							
D National Insurance Fund	-	-	-	-	-	-	-
Total non-voted	-	-	-	-	-	-	-
Total spending in Departmental Expenditure Limit	237.9	(6.2)	231.7	249.6	17.9	17.9	218.1
Spending in Annually Managed Expenditure							
Voted:							
E Social benefits and grants	-	-	-	1.0	1.0	1.0	0.2
F Providing payments in lieu of tax relief to certain bodies	-	-	-	-	-	-	-
G Filing incentive payments	-	-	-	-	-	-	-
H HMRC Administration	-	-	-	-	-	-	-
I Payments to add capacity	-	-	-	-	-	-	-
J VOA - payments of rates to local authorities on behalf of certain bodies	-	-	-	-	-	-	-
K VOA Administration	-	-	-	-	-	-	-
L Utilised provisions	-	-	-	-	-	-	-
Total voted	-	-	-	1.0	1.0	1.0	0.2
Non-voted:							
M Personal tax credits	-	-	-	-	-	-	-
N Other reliefs and allowances	-	-	-	-	-	-	-
Total non-voted	-	-	-	-	-	-	-
Total spending in Annually Managed Expenditure	-	-	-	1.0	1.0	1.0	0.2
Non-budget expenditure							
Voted							
O Payments to National Insurance Fund	-	-	-	-	-	-	-
Total non-budget spending	-	-	-	-	-	-	-
Total spending							
Total voted	237.9	(6.2)	231.7	250.6	18.9	18.9	218.3
Total non-voted	-	-	-	-	-	-	-
Total	237.9	(6.2)	231.7	250.6	18.9	18.9	218.3

The total resource outturn for the year was £51,185.1 million, £1,674.9 million (3.2 per cent) below the Estimate. The total capital outturn for the year was £231.7 million, £18.9 million (7.5 per cent) below the Estimate. Explanations of material variances between the Estimate and outturn are provided below.

Resource Departmental Expenditure Limit (DEL)

B VOA Administration - outturn was a £2.4 million credit against a net £1,000 Estimate required by the Supply Estimates manual. This represents a small surplus from operating income.

C Utilised provisions - outturn was £7.7 million (19.9 per cent) less than the Estimate. Provisions are inherently unpredictable in terms of amount paid and the timing of settlements. HMRC have an established process in place to regularly review and monitor provisions. The underutilisation is driven by the unpredictable nature of, in particular, legal settlements against the department.

D National Insurance Fund - outturn was £26.8 million (8.9 per cent) more than the Estimate. HMRC undertook significant assurance work to ensure expenditure was accurately quantified and wholly appropriate to National Insurance work. This resulted in increased costs due to reviews of activity undertaken and inclusion of National Insurance work that had not previously been identified.

Resource Annually Managed Expenditure (AME)

F Providing payments in lieu of tax relief to certain bodies - outturn was £1.6 million (1.6 per cent) more than the Estimate. This is due to an adjustment for prior-year gift aid claims.

H HMRC Administration - outturn was £74.4 million (51.3 per cent) less than the Estimate. This reflects changes in business planning.

K VOA Administration - outturn was £1.0 million more than the Estimate. This relates to provisions which are inherently unpredictable and consist of several legal cases and dilapidation claims.

L Utilised provisions - outturn was £8.6 million (21.7 per cent) less than the Estimate. Provisions are inherently unpredictable in terms of amount paid and the timing of settlements. HMRC have an established process in place to regularly review and monitor provisions. The underutilisation is driven by the unpredictable nature of, in particular, legal settlements against the department.

M Personal tax credits - outturn was £1,368.8 million (4.5 per cent) less than the Estimate. This is because payments are driven by entitlement and demand and fluctuate throughout the year, as well as an increase in debt recovery rates.

SOPS 3. Reconciliation of outturn to net operating cost and against Administration budget

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

This note reconciles the net resource outturn from SOPS note 2.1 to the net operating cost in the Statement of Comprehensive Net Expenditure (SoCNE). Reconciling items are treated differently between the Statement of Parliamentary Supply (SOPS) and the SoCNE and these are explained in further detail in the SOPS statement of accounting policies note 1.2.

Reconciliation of net resource outturn to net operating cost

	SOPS note	2014-15 £m Outturn	2013-14 £m Outturn
Total resource outturn in the Statement of Parliamentary Supply			
Budget	2.1	46,395.4	46,219.7
Non-budget - additional payments to the National Insurance Fund	2.1	4,720.0	-
		51,115.4	46,219.7
Add: Capital spend - Child Trust Fund	2.2	-	0.2
IFRS asset costs		3.0	9.6
		3.0	9.8
Less: Income payable to the Consolidated Fund		(2.2)	(0.9)
		(2.2)	(0.9)
Net operating costs in Consolidated Statement of Comprehensive Net Expenditure		51,116.2	46,228.6

SOPS 3.2 Outturn against final Administration budget and Administration net operating cost

This note reports the net Administration costs outturn and the Administration budget from the Statement of Parliamentary Supply. It provides a reconciliation of the net Administration costs outturn to the net Administration costs in the SoCNE. The reconciling items relate to PFI contracts and government accounting for provisions and these are explained in further detail in the SOPS statement of accounting policies note 1.2.

Outturn against final Administration budget and Administration net operating cost

	2014-15 £m	2013-14 £m
Estimate - Administration costs limit	832.6	880.3
Outturn - gross Administration costs	892.3	932.7
Outturn - gross income relating to Administration costs	(95.3)	(68.5)
Outturn - net Administration costs	797.0	864.2
Reconciliation to the Statement of Comprehensive Net Expenditure		
Adjustments:		
provisions utilised (transfer from Programme)	(18.8)	(26.2)
Administration IFRS asset costs	24.7	28.3
Consolidation adjustments	1.9	1.8
Administration income payable to the Consolidated Fund	(1.7)	-
Net Administration costs in the Consolidated Statement of Comprehensive Net Expenditure	803.1	868.1

SOPS 4. Reconciliation of net resource outturn to net cash requirement

This note reconciles the net resource outturn to the net cash requirement in the Statement of Parliamentary Supply, showing the adjustments for non cash items, movements in the Statement of Financial Position and other adjustments which include funding other than from the Consolidated Fund.

Reconciliation of net resource outturn to net cash requirement

	SOPS note	Estimate £m	Outturn £m	Outturn compared to Estimate: saving/(excess) £m
Resource outturn	2.1	52,860.0	51,115.4	1,744.6
Capital outturn	2.2	250.6	231.7	18.9
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation and amortisation		(254.7)	(275.8)	21.1
New provisions and adjustments to previous provisions		(145.0)	(67.4)	(77.6)
Other non-cash items		(2.3)	(11.5)	9.2
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in inventories		-	0.1	(0.1)
Increase/(decrease) in receivables		(64.8)	529.7	(594.5)
(Increase)/decrease in payables		112.2	(124.9)	237.1
Use of provisions		39.7	31.1	8.6
Removal of non-voted budget items				
Other adjustments ¹		(32,805.0)	(31,710.3)	(1,094.7)
Net cash requirement		19,990.7	19,718.1	272.6

¹ This primarily includes funding from the Trust Statement in respect of tax credits, funding from the National Insurance Fund in respect of costs of administering and collecting National Insurance contributions and adjustments for IFRS assets.

Explanations of material variances between the Estimate and outturn are provided below.

New provisions and adjustments to previous provisions - varied by £77.6 million from the Estimate. This reflects changes in business planning.

Receivables - varied by £594.5 million from the Estimate, largely due to an increase in personal tax credit receivables of £470.5 million.

Payables - varied by £237.1 million from the Estimate, largely due to an increase in corporation tax relief payables of £294.3 million.

Other adjustments - varied by £1,094.7 million, largely due to £1,368.8 million reduced expenditure on personal tax credits because payments are driven by entitlement and demand and fluctuate throughout the year, as well as an increase in debt recovery rates.

SOPS 5. Income payable to the Consolidated Fund

SOPS 5.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund (*cash receipts being shown in italics*). This consists of income types that government rules do not allow the department to keep for its own use.

Analysis of income payable to the Consolidated Fund

	Outturn 2014-15 £m		Outturn 2013-14 £m	
	Income	Receipts	Income	Receipts
Income outside the ambit of the Estimate	(2.2)	<i>(2.2)</i>	(0.9)	<i>(0.9)</i>
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total amount payable to the Consolidated Fund	(2.2)	<i>(2.2)</i>	(0.9)	<i>(0.9)</i>

SOPS 5.2 Consolidated Fund income

Consolidated Fund income shown in SOPS note 5.1 above does not include any amounts collected by the department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement, see pages 98 to 119.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

Consolidated Statement of Comprehensive Net Expenditure

			2014-15 £m		2013-14 £m
	Note	Core department	Core department and agency	Core department	Core department and agency
Administration costs					
Staff costs	3	312.6	312.6	309.7	309.7
Other costs	4	585.7	585.6	625.0	625.0
Income	7	(97.0)	(95.1)	(68.5)	(66.6)
		801.3	803.1	866.2	868.1
Programme expenditure					
Staff costs	3	1,726.3	1,863.1	1,819.4	1,956.8
Other costs	5	43,858.7	43,970.7	43,541.7	43,649.4
Additional payments to the National Insurance Fund	5	4,720.0	4,720.0	-	-
Income	7	(54.5)	(240.7)	(57.6)	(245.7)
		50,250.5	50,313.1	45,303.5	45,360.5
Net operating costs for the year ended 31 March		51,051.8	51,116.2	46,169.7	46,228.6
Total expenditure		51,203.3	51,452.0	46,295.8	46,540.9
Total income		(151.5)	(335.8)	(126.1)	(312.3)
Net operating costs for the year ended 31 March		51,051.8	51,116.2	46,169.7	46,228.6
Other comprehensive net expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
- revaluation of property, plant and equipment		(94.5)	(94.9)	-	-
- revaluation of intangibles		(26.4)	(26.8)	(17.8)	(18.1)
Total comprehensive net expenditure for the year ended 31 March		50,930.9	50,994.5	46,151.9	46,210.5

The notes on pages 138 to 176 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2015

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

Consolidated Statement of Financial Position

		2014-15 £m Core department and agency	2013-14 £m Core department and agency
Note	Core department		
Non-current assets:			
Property, plant and equipment	8	520.2	455.5
Intangible assets	9	1,184.7	1,172.6
Financial assets	12,13	-	-
Receivables	16	1,740.6	1,467.5
Total non-current assets		3,445.5	3,095.6
Current assets:			
Inventories	14	-	-
Trade and other receivables	16	1,314.3	1,049.4
Financial assets	12,13	-	-
Cash and cash equivalents	15	6.8	4.5
Total current assets		1,321.1	1,053.9
Total assets		4,766.6	4,149.5
Current liabilities:			
Trade and other payables	17	(2,800.7)	(2,682.5)
Provisions	18	(100.1)	(78.9)
Total current liabilities		(2,900.8)	(2,761.4)
Non-current assets plus/less net current assets/liabilities		1,865.8	1,388.1
Non-current liabilities:			
Provisions	18	(50.9)	(35.6)
Pension liability	19	-	-
Other payables	17	(311.1)	(334.9)
Financial liabilities	12	-	-
Total non-current liabilities		(362.0)	(370.5)
Total assets less liabilities		1,503.8	1,017.6
Taxpayers' equity and other reserves:			
General fund		1,304.2	894.1
Revaluation reserve		199.6	123.5
Pension reserve		-	-
Total equity		1,503.8	994.4

Lin Homer

Principal Accounting Officer

15 July 2015

The notes on pages 138 to 176 form part of these accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2015

The Statement of Cash Flows shows the changes in cash and cash equivalents of the department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the department's future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows.

Consolidated Statement of Cash Flows

	Note	2014-15 £m	2013-14 £m
Cash flows from operating activities			
Net operating cost	SOPS 3.1	(51,116.2)	(46,228.6)
Adjustments for non-cash transactions	4,5	354.7	300.1
(Increase)/decrease in trade and other receivables		(529.7)	(401.6)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		-	-
(Increase)/decrease in inventories	14	(0.1)	(0.2)
Increase/(decrease) in trade and other payables		95.0	711.1
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		29.9	19.1
Use of provisions	18	(31.1)	(33.4)
Net cash outflow from operating activities		(51,197.5)	(45,633.5)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(40.3)	(38.5)
Purchase of intangible assets	9	(197.5)	(181.8)
Proceeds of disposal of property, plant and equipment		0.6	0.2
Proceeds of disposal of intangible assets		-	-
Net cash outflow from investing activities		(237.2)	(220.1)
Cash flows from financing activities			
From the Consolidated Fund (Supply)- current year		19,719.5	14,850.4
From the Consolidated Fund (Supply)- prior year		-	-
From the Consolidated Fund (non-Supply)		-	-
From the Trust Statement		31,432.8	30,678.0
From the National Insurance Fund		319.6	357.0
Capital element of payments in respect of finance leases and on-Statement of Financial Position PFI contracts		(33.6)	(32.7)
Net financing		51,438.3	45,852.7
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		3.6	(0.9)
Payments of amounts due to the Consolidated Fund		(0.5)	(0.9)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		3.1	(1.8)
Cash and cash equivalents at the beginning of the period	15	22.6	24.4
Cash and cash equivalents at the end of the period	15	25.7	22.6

The notes on pages 138 to 176 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

This statement shows the movement in the year on the different reserves held by the department, analysed into General Fund, revaluation and pension reserves. The General Fund represents the total assets less liabilities of the department, to the extent that it is not represented by other reserves and financing items. The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure.

Consolidated Statement of Changes in Taxpayers' Equity

	Note	Core department				Core department and agency			
		General Fund	Revaluation reserve ¹	Pension reserve	Total reserves	General Fund	Revaluation reserve ²	Pension reserve	Total reserves
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2013		1,240.6	130.3	-	1,370.9	1,253.7	131.7	(33.0)	1,352.4
Net Parliamentary funding - drawn down		14,788.0	-	-	14,788.0	14,850.4	-	-	14,850.4
Net Parliamentary funding - deemed		11.9	-	-	11.9	24.3	-	-	24.3
Funding from Trust Statement ³		30,678.0	-	-	30,678.0	30,678.0	-	-	30,678.0
National Insurance Fund		324.1	-	-	324.1	324.1	-	-	324.1
Supply (payable)/receivable adjustment		(4.4)	-	-	(4.4)	(22.5)	-	-	(22.5)
CFERs payable to the Consolidated Fund ⁴	SOPS 5	(0.9)	-	-	(0.9)	(0.9)	-	-	(0.9)
Comprehensive net expenditure for the year		(46,169.7)	17.8	-	(46,151.9)	(46,228.6)	18.1	-	(46,210.5)
Non-cash adjustments									
Non-cash charges - auditor's remuneration	4,5	1.9	-	-	1.9	2.0	-	-	2.0
Movements in reserves									
Transfer between reserves		24.6	(24.6)	-	-	26.9	(25.1)	(1.8)	-
Pension reserve actuarial (losses)/gains		-	-	-	-	-	-	(2.9)	(2.9)
Balance at 31 March 2014		894.1	123.5	-	1,017.6	907.4	124.7	(37.7)	994.4
Net Parliamentary funding - drawn down		19,654.8	-	-	19,654.8	19,719.5	-	-	19,719.5
Net Parliamentary funding - deemed		4.4	-	-	4.4	22.5	-	-	22.5
Funding from Trust Statement ³		31,432.8	-	-	31,432.8	31,432.8	-	-	31,432.8
National Insurance Fund		330.5	-	-	330.5	330.5	-	-	330.5
Supply (payable)/receivable adjustment		(5.0)	-	-	(5.0)	(23.9)	-	-	(23.9)
CFERs payable to the Consolidated Fund ⁴	SOPS 5	(2.2)	-	-	(2.2)	(2.2)	-	-	(2.2)
Comprehensive net expenditure for the year		(51,051.8)	120.9	-	(50,930.9)	(51,116.2)	121.7	-	(50,994.5)
Non-cash adjustments									
Non-cash charges - auditor's remuneration	4,5	1.8	-	-	1.8	1.9	-	-	1.9
Movements in reserves									
Transfer between reserves		44.8	(44.8)	-	-	47.0	(45.4)	(1.6)	-
Pension reserve actuarial (losses)/gains		-	-	-	-	-	-	(17.4)	(17.4)
Contributions to LGPS pension fund by DWP		-	-	-	-	-	-	48.0	48.0
Balance at 31 March 2015		1,304.2	199.6	-	1,503.8	1,319.3	201.0	(8.7)	1,511.6

¹ The 31 March 2015 core department revaluation reserve balance comprised £73.2 million in relation to intangible assets (31 March 2014 £67.7 million, 1 April 2013 £74.5 million).

² The 31 March 2015 consolidated revaluation reserve balance comprised £74.2 million in relation to intangible assets (31 March 2014 £68.9 million, 1 April 2013 £75.7 million).

³ Personal tax credits and corporation tax reliefs are funded out of tax receipts from the Trust Statement, where these payments are shown as disbursements. Please see the Trust Statement, page 101

⁴ This does not include amounts in the department's Trust Statement.

The notes on pages 138 to 176 form part of these accounts.

Notes to the departmental Resource Accounts

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

1. Statement of accounting policies

1.1 Basis of accounting

These financial statements have been prepared in accordance with the 2014-15 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The Resource Account is prepared on a going concern basis.

Where the *FReM* permits a choice of accounting policy, the one which is judged to be most appropriate to the particular circumstances of HM Revenue and Customs for the purpose of giving a true and fair view has been selected. The particular policies adopted by us are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the department to prepare the Statement of Parliamentary Supply and supporting notes which show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

1.3 Basis of consolidation

These accounts comprise a consolidation of the core department and departmental Agency (Valuation Office Agency) which fall within the departmental boundary as defined in the *FReM* and make up the 'Departmental Group'. Transactions between the core department and the Valuation Office Agency (VOA) included in the consolidation are eliminated.

1.4 Tax credits

1.4.1 Personal tax credits

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

Where under or overpayments are identified, either during the award year or subsequently, adjustments are made to expenditure. Receivables and payables are recognised as appropriate. Correcting payments are made in respect of underpayments, however if a customer has an existing receivable balance the underpayment is offset against the receivable. Overpayments are treated as other receivables and the department seeks to recover these from future personal tax credits awards or through direct repayments. Further details relating to the accounting for personal tax credits receivables are provided at note 1.16 and note 6.

1.4.2 Corporation tax reliefs

The value of corporation tax reliefs (see note 6.4) is estimated, based on the most recent data available. The basis of the estimation is, where available, derived from claims recorded on companies' returns for their accounting period which ended in the relevant HMRC financial year or based on other appropriate forecasting methodology. The filing requirements for companies are such that these returns are not due until 12 months after the accounting period end and consequently historic claims are utilised to project forward to the current year taking into account forecast growth rates and planned changes in relevant tax policy and rates.

1.5 Child Benefit

Child Benefit payments are accounted for from the time a claim for Child Benefit is approved.

Where under or overpayments are identified, adjustments are made to expenditure. Where possible, overpayments are recovered from future benefit entitlements. Receivables which are deemed irrecoverable are written-off in accordance with the department's normal remission policy, and recorded as losses or remissions as appropriate.

1.6 Property, plant and equipment

1.6.1 General

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses, in accordance with IAS 16 *Property, Plant and Equipment*. A £5,000 capitalisation threshold applies to all property, plant and equipment except for furniture, vehicles and IT hardware, which are capitalised regardless of cost and accommodation refurbishments which are capitalised once costs exceed £150,000. Assets capitalised under finance leases are recorded at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract, in accordance with IAS 17 *Leases*.

On initial recognition assets are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Assets under construction are recorded at cost. Non-property assets are valued on a depreciated historical cost basis as a proxy for fair value had indices been applied, as they are of low value with short lives.

1.6.2 Property assets

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

Private Finance Initiative (PFI) transactions have been accounted for in accordance with IFRIC 12 *Service Concession Arrangements*, and where the department has control within the contract and a material residual interest, the property is recognised as a non-current asset and the liability to pay for it is accounted for as a

finance lease. Contract payments are apportioned between a Consolidated Statement of Comprehensive Net Expenditure service charge and a Consolidated Statement of Financial Position finance lease liability.

The majority of the freehold and leasehold property assets occupied by HMRC were acquired from the predecessor departments by Mapeley STEPS Contractor Ltd in March 2001 under a 20 year PFI contract (see note 11.3). These assets have been capitalised as finance leases under IFRIC 12. The buildings only have been treated as finance leases and the related land has been treated as operating leases. The department has also capitalised other PFI property interests as finance leases being service concession arrangements under IFRIC 12. The department has capitalised both its short-term leases with third-party private landlords which Mapeley manages on its behalf, and its short-term leases held directly with third-party private landlords under IAS 17 where the relevant conditions are met.

Property assets have been stated at fair value using professional valuation on a rolling five year programme, all assets will be professionally revalued within this time period.

1.6.3 IT assets

The IT non-current assets recognised by our IT partners and used in providing the IT service to the department have been capitalised as finance leases under IFRIC 12 and are disclosed at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract. It is not possible to separate these assets between the core department and the Valuation Office Agency as they are used in common to deliver the service. These joint assets are held by the core department and are treated as an operating lease by the Valuation Office Agency. Whilst consolidated figures will report the correct aggregate position this difference in approach is to be noted. Where related figures are reported separately for the core department and the Valuation Office Agency, there is no material impact on figures reported.

1.6.4 Tangible assets under construction

Assets under construction are separately reported in note 8. Costs are accumulated until the asset is available for use whereupon it is transferred to the relevant asset class and depreciation commences.

1.7 Intangible assets

1.7.1 Developed computer software

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

1.7.2 Intangible assets under construction

Intangible assets under construction relate to software development and are separately reported in note 9. Costs are accumulated until the asset is available for use whereupon it is transferred to the relevant asset class and amortisation commences.

1.8 Depreciation

Non-current assets are depreciated at rates calculated to write them down to estimated residual values on a straight-line basis over their estimated useful lives. Asset lives are normally in the following ranges:

1.8.1

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

1.8.2

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

1.9 Administration and Programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between Administration and Programme, income and expenditure. The classification of expenditure and income as Administration or as Programme follows the definition agreed with HM Treasury. Definitions of Administration and Programme are included in the glossary.

1.10 Pensions

1.10.1 Principal Civil Service Pension Scheme

The defined benefit scheme within the Principal Civil Service Pension Scheme (PCSPS) is unfunded and is contributory. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

1.10.2 Local Government Pension Scheme

A number of the Valuation Office Agency employees are members of the Local Government Pension Scheme. Further information can be found within the Valuation Office Agency accounts (HC 143) that can be viewed at www.gov.uk/government/organisations/valuation-office-agency.

1.11 Provisions

Under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the department provides for legal or constructive obligations which are of uncertain timing or amount at the date of the Consolidated Statement of Financial Position, on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rates set by HM Treasury.

1.12 Early departure costs

The department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who have taken early departure or retirement under the Civil Service Compensation Scheme. The department has made provision in full for early retirement costs. The estimated risk-adjusted cash flows are discounted at 1.3 per cent as set by HM Treasury (2013-14: 1.8 per cent).

1.13 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.14 Value Added Tax (VAT)

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

1.15 Impending application of newly issued accounting standards not yet effective

New and revised standards and interpretations have been issued but are not yet effective, and have not therefore been adopted in this account. We expect that the following new standard and *FReM* changes may affect the Resource Accounts if they are adopted by the Financial Reporting Manual, after further consultation:

- IFRS 9 Financial Instruments, effective 1 January 2018 (not yet EU adopted). IFRS 9 addresses classification, measurement and impairment of financial assets and is still subject to analysis and consideration by HM Treasury with a view to include in the 2018-19 *FReM*

- IFRS 13 Fair Value Measurement, effective 1 January 2013 (EU adopted). IFRS 13 provides consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS. Although IFRS 13 is applied without adaptation, IAS 16 and IAS 38 have been adapted and interpreted for the public sector context to limit the circumstances in which a valuation is prepared under IFRS 13. For central government, the implementation date is expected to be during 2015-16
- IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation (amendment), effective 1 January 2016 (not yet EU adopted). This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets. HM Treasury will review the implications of these changes nearer to the EU adoption date with a view to include in the 2016-17 *FReM*
- IAS 1 Disclosure Initiative (amendment), effective 1 January 2016 (not yet EU adopted). These amendments encourage professional judgement to be used in determining what information to disclose in financial statements and where and in what order information is presented in the financial disclosures. HM Treasury will review the implications of this amendment nearer to the EU adoption date with a view to include in the 2016-17 *FReM*
- IAS 17 Leases (replacement), the IASB plans to issue the new standard before the end of 2015. The current proposals include the elimination of the current operating lease categorisation for nearly all leases except short-term and small value assets. Instead, assets and liabilities will be recognised on a 'right of use' basis. HM Treasury has continued to analyse this process including the project update and will review further once there is a final Standard
- IAS 36 'Impairment of assets' on recoverable amount disclosures (amendment), effective 1 January 2014 (EU adopted). This amendment modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. To be considered by HM Treasury with the expectation that it will be applied when IFRS 13 is introduced and any adaptations or interpretations included in the 2015-16 *FReM*.

1.16 Critical accounting judgements and key sources of estimation

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

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

Personal tax credits expenditure

Personal tax credits consist of Working Tax Credits and Child Tax Credits. HMRC statisticians provide receivable and payable balances based on data from tax credits systems to move personal tax credits to an accruals accounting basis. A range for the estimate of the results of the current year finalisation exercise is also provided. This estimate is based on a model used to forecast debt and factors in a number of assumptions including the expected effects of new policy. It is therefore subject to uncertainty and the estimate disclosed in note 6.2 represents the mid-point of the range (see note 1.4.1). Estimates for the split of Working Tax Credits and Child Tax Credits and the apportionment of costs to negative tax and payments of entitlement are also provided. The apportionments are estimated by modelling the tax credits systems and financial data (see note 6).

Corporation tax reliefs

As stated in note 1.4.2, corporation tax reliefs are estimated by the department's statisticians. The models are based on a combination of projections utilising the most recent forecasts of economic variables on which future expenditure flows depend. Due to the areas of uncertainty involved, there will inevitably be differences between the estimated forecasts and actual future outturns. These differences arise because of the need to make judgements on areas of uncertainty and are not indicative of deficiencies in the models (see note 6.4).

Impairment of receivables

Impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, the calculation of which differs depending on the type of receivable. The following receivables balances have been impaired: personal tax credits, Child Benefit, law costs, and other receivables (see note 16).

The impairment of personal tax credits receivables is estimated by using a model that tracks historic recoveries. The impairment rates are derived for different receivables category types, taking into account recent, actual recovery rates for each category. These rates are then applied to the gross carrying value of receivables for each category to provide an estimate of the recoverable amount. This ensures that assets are carried at no more than their fair value (i.e. their expected recoverable amount).

Relatively minor adjustments in the estimates can have a significant impact on reported figures. The maximum impact of a one per cent change in the recoverability estimate would be an increase or decrease of £69 million of the impairment.

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

Provisions and contingent liabilities

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

2. Statement of operating costs by operating segment

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

Each segment relates to a business activity reported to the Chief Executive and the Board in a document called the Financial Pack which contains relevant management information. This covers expenditure and income and is used by the Board to make decisions.

2.1 Expenditure and income by reportable segment

	2014-15			2013-14		
	Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure
Reportable segment						
Business Tax	203.0	(2.4)	200.6	157.6	(1.8)	155.8
Personal Tax	543.7	(12.9)	530.8	680.2	(10.1)	670.1
Enforcement and Compliance	1,018.0	(30.8)	987.2	1,068.6	(31.6)	1,037.0
Benefits and Credits Delivery	154.7	(0.5)	154.2	153.0	-	153.0
Central Tax and Strategy	63.4	(1.0)	62.4	42.5	(1.0)	41.5
Chief Finance Officer Group	382.4	(23.3)	359.1	430.0	(22.3)	407.7
Chief Digital and Information Officer Group	853.1	(28.4)	824.7	846.9	(27.2)	819.7
Chief People Officer Group	130.8	(1.5)	129.3	185.1	(26.1)	159.0
Legal	59.9	(4.6)	55.3	49.2	(3.5)	45.7
HMRC Central Budgets	44.0	(1.4)	42.6	56.9	(1.5)	55.4
Change Investment funding	118.1	(0.1)	118.0	100.3	-	100.3
HMRC Transformation ¹	4.0	-	4.0	-	-	-
Civil Service Resourcing ¹	42.0	(42.2)	(0.2)	-	-	-
Total	3,617.1	(149.1)	3,468.0	3,770.3	(125.1)	3,645.2

¹ These segments were introduced in 2014-15. The activities undertaken by Civil Service Resourcing and HMRC Transformation were previously reported under Chief People Officer Group and Benefits and Credits respectively.

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

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

Reconciliation between operating segments and Consolidated Statement of Comprehensive Net Expenditure

	2014-15 £m	2013-14 £m
Total net expenditure reported for operating segments	3,468.0	3,645.2
Valuation Office Agency	(1.4)	(1.3)
Payments in lieu of tax relief	97.6	74.0
Payments of Local Authority Rates	65.9	60.1
Child Benefit and Child Trust Fund	11,602.0	11,492.1
Personal tax credits	29,123.2	29,329.2
Corporation tax reliefs	1,988.8	1,615.4
Other income tax reliefs	8.6	9.5
IFRS elements not included in the management accounts	1.6	9.5
Remaining reconciling items	41.9	(5.1)
Non-budget voted NIF	4,720.0	-
Total net expenditure per the Consolidated Statement of Comprehensive Net Expenditure	51,116.2	46,228.6

3. Staff numbers and related costs

The department consists entirely of officials as it does not pay the salary of the minister who has responsibility for HM Revenue and Customs (HMRC). This is paid out of central funds and can be found in the resource accounts of HM Treasury.

3.1 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2014-15 Number			2013-14 Number
	Permanently employed staff	Others	Total	Total
Core department ¹	57,405	1,292	58,697	63,010
Valuation Office Agency	3,346	74	3,420	3,511
Staff engaged on capital projects	105	-	105	51
Total	60,856	1,366	62,222	66,572

¹ This includes staff working on Civil Service Resourcing of 624 permanently employed staff and ten within the 'others' category.

3.2 Staff costs

The costs of persons employed during the year were as follows:

	2014-15 £m			2013-14 £m
	Permanently employed staff	Others	Total	Total
Wages and salaries	1,715.4	27.8	1,743.2	1,816.9
Social security costs	122.3	1.4	123.7	128.2
Other pension costs	312.2	2.6	314.8	324.9
Sub total	2,149.9	31.8	2,181.7	2,270.0
Less recoveries in respect of outward secondments	(4.2)	-	(4.2)	(2.3)
Total net costs²	2,145.7	31.8	2,177.5	2,267.7

	Charged to Administration budgets	Charged to Programme budgets	Charged to capital budgets	Total	Total
Of which:					
Core department	310.9	1,723.9	5.9	2,040.7	2,130.3
Valuation Office Agency	-	136.8	-	136.8	137.4
Total net costs	310.9	1,860.7	5.9	2,177.5	2,267.7

² In the Consolidated Statement of Comprehensive Net Expenditure staff costs do not include recoveries in respect of secondments, which are included as income, or the amount charged to capital.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but HMRC is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk).

For 2014-15, employers' contributions of £312,564,213 were payable to the PCSPS (2013-14: £323,163,855) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £750,731 (2013-14: £730,863) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable earnings. Employers also match employee contributions up to three per cent of pensionable earnings. In addition, employer contributions of £55,822, 0.8 per cent of pensionable pay (2013-14: £52,760, 0.8 per cent of pensionable pay), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

A number of the Valuation Office Agency's employees are members of the Local Government Pension Scheme. Contributions into this scheme for 2014-15 were £1,373,468 (2013-14: £961,429). Further information can be found within the Valuation Office Agency accounts (HC 143) that can be viewed at www.gov.uk/government/organisations/valuation-office-agency.

Contributions due to the partnership pension providers at the reporting period date were £135,678. Contributions prepaid at that date were nil.

The Remuneration Report (see page 81) provides details of the pension benefits for the members of the Executive Committee.

107 individuals (2013-14: 137 individuals) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £147,568 (2013-14: £192,497).

3.3 Reporting of Civil Service and other compensation schemes – exit packages

Exit packages 2014-15

Exit package cost band	Core department			Core department and agency		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost)
<£10,000	-	103	103	-	103	103
£10,000 - £25,000	4	490	494	10	491	501
£25,000 - £50,000	1	672	673	1	673	674
£50,000 - £100,000	-	98	98	-	100	100
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
£200,000+	-	-	-	-	-	-
Total number of exit packages by type	5	1,363	1,368	11	1,367	1,378
Total resource cost	£91,128	£39,079,062	£39,170,190	£191,262	£39,290,555	£39,481,817

Exit packages 2013-14

Exit package cost band	Core department			Core department and agency		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost)
<£10,000	2	83	85	2	83	85
£10,000 - £25,000	11	713	724	16	715	731
£25,000 - £50,000	-	1,117	1,117	-	1,119	1,119
£50,000 - £100,000	-	201	201	-	202	202
£100,000 - £150,000	-	18	18	-	18	18
£150,000 - £200,000	-	3	3	-	3	3
£200,000+	-	1	1	-	1	1
Total number of exit packages by type	13	2,136	2,149	18	2,141	2,159
Total resource cost	£159,844	£68,415,187	£68,575,031	£251,844	£68,564,187	£68,816,031

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year in which the obligation becomes binding on the department. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. The ill-health retirement costs are met by the pension scheme and are not included in the table.

The numbers included in the table above include departures of staff who are members of the Local Government Pension Scheme. Their compensation arrangements are outside the scope of the Civil Service Compensation Scheme. The cost of their early retirements reflects the cost of providing any lump sum due on retirement together with the cost associated with the increase in future liability to pay pension.

4. Other Administration costs

	2014-15 £m		2013-14 £m	
	Core department	Core department and agency	Core department	Core department and agency
Rentals under operating leases				
Hire of plant and machinery	0.3	0.3	0.2	0.2
Other operating leases	9.0	9.0	9.8	9.8
	9.3	9.3	10.0	10.0
Interest charges				
Accommodation interest charges	35.2	35.2	37.4	37.4
	35.2	35.2	37.4	37.4
Service charges				
IT PPP contract payments	204.0	204.0	224.9	224.9
Accommodation PFI and non-PFI contract payments	68.6	68.6	88.8	88.8
Indexation of liability on PFI deals	2.4	2.4	2.4	2.4
	275.0	275.0	316.1	316.1
Other expenditure				
Travel, subsistence and hospitality	11.0	11.0	11.5	11.5
Accommodation expenses	25.1	25.1	21.7	21.7
Staff-related costs	6.9	6.9	4.6	4.6
Printing, postage, stationery and office supplies	8.1	8.1	8.1	8.1
Telephone expenses	19.4	19.4	29.4	29.4
IT services and consumables	33.6	33.6	27.9	27.9
Legal costs ¹	2.1	2.1	(1.3)	(1.3)
Consultancy	0.6	0.6	0.8	0.8
Contracted out services	22.7	22.6	20.9	20.9
Publicity	7.3	7.3	4.8	4.8
Bank charges	10.6	10.6	10.7	10.7
Other miscellaneous expenditure	20.1	20.1	13.5	13.5
	167.5	167.4	152.6	152.6
Non-cash items				
Depreciation	48.6	48.6	55.8	55.8
Amortisation	48.0	48.0	48.3	48.3
(Profit)/Loss on disposal of non-current assets	0.3	0.3	2.6	2.6
Net revaluation loss	-	-	-	-
Net loss on impairment of non-current assets	-	-	0.3	0.3
Auditor's remuneration and expenses	1.8	1.8	1.9	1.9
	98.7	98.7	108.9	108.9
Total	585.7	585.6	625.0	625.0

¹ In 2013-14 there was a credit following a reduction in the impairment provision for law cost receivables.

5. Programme costs

			2014-15 £m		2013-14 £m
	Note	Core department	Core department and agency	Core department	Core department and agency
Tax credits					
Personal tax credits	6	29,123.2	29,123.2	29,329.2	29,329.2
Corporation tax reliefs	6	1,988.8	1,988.8	1,615.4	1,615.4
		31,112.0	31,112.0	30,944.6	30,944.6
Child Benefit					
Child Benefit ¹		11,602.0	11,602.0	11,494.4	11,494.4
Guardians Allowance (Funded from NIF)		2.1	2.1	2.0	2.0
		11,604.1	11,604.1	11,496.4	11,496.4
Payments in lieu of tax relief					
Life Assurance Premium Relief, MIRAS		8.6	8.6	9.5	9.5
Transitional payments to charities		42.6	42.6	19.0	19.0
Stakeholder pensions		55.0	55.0	55.0	55.0
		106.2	106.2	83.5	83.5
Payments of Local Authority Rates					
Payments of Local Authority Rates (POLAR)		-	70.0	-	63.8
		-	70.0	-	63.8
Rentals under operating leases					
Hire of plant and machinery		-	0.1	0.1	0.1
Other operating leases		25.0	25.0	24.4	24.6
		25.0	25.1	24.5	24.7
Interest charges					
IT PPP interest charges		3.8	3.8	4.5	4.5
Accommodation interest charges		-	-	-	-
		3.8	3.8	4.5	4.5
Service charges					
IT PPP contract payments		287.4	295.6	287.1	295.9
Accommodation PFI and non-PFI contract payments		33.0	39.4	41.4	50.1
Indexation of liability on PFI deals		-	-	-	-
		320.4	335.0	328.5	346.0

Continued

5. Programme costs (continued)

		2014-15 £m		2013-14 £m
	Note	Core department and agency	Core department	Core department and agency
Other Programme costs				
Additional payments to the National Insurance Fund ²	4,720.0	4,720.0	-	-
Travel, subsistence and hospitality	41.7	46.6	37.1	42.7
Accommodation expenses	69.5	78.7	75.7	85.4
Staff-related costs	0.2	0.4	0.2	0.8
Printing, postage, stationery and office supplies	58.8	60.7	59.2	61.0
Telephone expenses	41.3	42.8	26.6	28.4
IT services and consumables	5.2	7.3	0.3	1.7
Legal and Investigation	43.0	43.9	37.9	38.5
Consultancy	2.2	2.2	0.5	0.5
Payments to add capacity	2.7	2.7	-	-
Contracted out services	19.8	20.8	17.9	18.6
Publicity	3.2	3.3	2.6	2.7
Post Office services	11.6	11.6	12.5	12.5
Bank charges	10.0	10.0	8.9	8.9
Shipbuilders' Relief	1.2	1.2	1.0	1.0
Enforcement costs	19.6	19.6	23.6	23.6
Business Link Payments	-	-	-	-
NIF other government department collection service	56.3	56.3	58.5	58.5
Early severance schemes	31.8	31.8	85.7	85.8
Other Programme expenditure	25.3	18.6	31.2	24.1
		5,163.4	479.4	494.7
Non-cash items				
Depreciation	18.0	21.1	10.5	13.7
Amortisation	152.9	158.1	147.9	153.0
(Profit)/Loss on disposal of non-current assets	1.3	2.1	(0.7)	(0.7)
Net revaluation loss/(gain)	(0.4)	(0.4)	0.1	0.1
Net loss/(profit) on impairment of non-current assets	5.5	6.0	3.1	3.1
Auditor's remuneration and expenses	-	0.1	-	0.1
Other pension finance costs	-	1.6	-	1.7
Provision provided for in-year	18			
Amounts provided for early departure costs	1.0	1.2	2.7	3.0
Borrowing costs (unwinding of discount) on provisions	18 0.6	0.6	1.2	1.3
Child Trust Fund	-	-	(2.4)	(2.4)
Other provisions	64.9	65.6	17.9	18.3
		243.8	180.3	191.2
Total		48,578.7	43,541.7	43,649.4

¹ Child Benefit expenditure includes amounts paid to higher rate taxpayers earning greater than £50,000 per annum. In accordance with government policy, it is estimated that £450 million (2013-14: £600 million) will be recovered via future income tax charges arising from payments of Child Benefit to those earning more than £50,000 in 2014-15. These income tax charges are accounted for in the Trust Statement.

² Top-up payments were made to the National Insurance Fund as a result of the government convention that the fund will not be allowed to fall below one sixth of the annual benefit expenditure.

6. Tax credits

Since 2011-12 both personal tax credits expenditure and certain corporation tax reliefs are reported in these Resource Accounts. Tax credits can contain an element that is in excess of the tax liability, which is treated as a payment of entitlement. There may also be an element that is treated as negative taxation which is when the extent of the relief is less than or equal to the recipient's tax liability. Under National Accounts, credits which are not integral to the tax system should be treated as public expenditure on social benefits.

6.1 Analysis of personal tax credits expenditure

Personal tax credits consist of Child Tax Credit and Working Tax Credit. Background about the operation of personal tax credits can be found at www.gov.uk/government/organisations/hm-revenue-customs.

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

Analysis of personal tax credits expenditure

	2014-15 £m			2013-14 £m		
	Child Tax Credit	Working Tax Credit	Total tax credit	Child Tax Credit	Working Tax Credit	Total tax credits
Tax credits treated as negative taxation	1,947.4	532.1	2,479.5	2,046.8	563.0	2,609.8
Tax credits treated as payments of entitlement	20,816.4	5,687.5	26,503.9	20,525.3	5,645.6	26,170.9
	22,763.8	6,219.6	28,983.4	22,572.1	6,208.6	28,780.7
Movement in impairment for receivables	(16.7)	(14.1)	(30.8)	313.5	60.2	373.7
Remissions/write-offs ¹	117.6	53.0	170.6	127.2	47.6	174.8
Total tax credits	22,864.7	6,258.5	29,123.2	23,012.8	6,316.4	29,329.2

¹ Following review, in 2014-15 remissions of £39.7 million have been classified as expenditure as they relate to adjustments to entitlement. The remissions for 2013-14 include £68.8 million for this category.

Please see note 1.16 for the estimation techniques used to determine the values for negative taxation and the payments of entitlement and how these are apportioned between Child Tax Credit and Working Tax Credit.

6.2 Personal tax credits receivables

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

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

Personal tax credits receivables

	Note	2014-15 £m	2013-14 £m
Receivables as at 1 April		6,485.8	5,652.7
Adjustment to prior year finalisation estimate		(141.3)	(206.7)
Estimated overpayment of awards prior to finalisation ²		850.0	975.0
Overpayments identified from change of circumstances in-year		932.6	1,161.0
Recoveries made		(1,031.0)	(921.4)
Remissions/write-offs		(170.6)	(174.8)
Receivables as at 31 March		6,925.5	6,485.8
Provision for impairment for receivables		(4,065.0)	(4,095.8)
Net	16	2,860.5	2,390.0
Of which:			
Amounts falling due within one year		1,119.9	922.5
Amounts falling due after more than one year		1,740.6	1,467.5
Total		2,860.5	2,390.0

² The range of the estimate is £650 million to £1,050 million (2013-14: £750 million to £1,200 million).

6.3 Personal tax credits error and fraud

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

In June 2015, HMRC completed its testing on finalised awards for 2013-14, based on a random sample of some 3,640 enquiries. As a result, HMRC estimates that error and fraud resulted in overpayments of between £1.12 billion and £1.41 billion (3.9 per cent to 4.9 per cent of the final award by value) being paid to claimants to which they were not entitled. In addition, HMRC estimates that error resulted in underpayments to claimants of between £0.15 billion and £0.22 billion (0.5 per cent to 0.8 per cent of the final award by value) to which they were entitled.

6.4 Corporation tax reliefs

Certain corporation tax reliefs are reported in these Resource Accounts as Annually Managed Expenditure (AME). This treatment has been agreed with HM Treasury and relates to reliefs where there is (or could be) a payable element that is in excess of any negative tax, in which case both the payable element and the negative tax element are reported in these Resource Accounts as detailed in the table below. Where a relief is integral to the tax system and is purely negative tax it remains in the Trust Statement.

Corporation tax reliefs

	2014-15 £m			2013-14 £m		
	Negative taxation	Payments of entitlement	Total	Negative taxation	Payments of entitlement	Total
Research and development tax credits - Large Companies "Above the Line" (ATL)	306.5	502.9	809.4	264.1	451.1	715.2
Research and development tax credits - Small and Medium Enterprises	390.4	348.0	738.4	319.9	232.6	552.5
Film Tax Relief	-	257.4	257.4	-	287.0	287.0
Video Games Tax Relief ³	-	35.6	35.6	-	-	-
High-end TV Tax Relief	-	91.9	91.9	-	14.8	14.8
Animation Tax Relief	-	7.3	7.3	-	12.3	12.3
Theatre Tax Relief ³	-	21.4	21.4	-	-	-
Land Remediation Relief	22.4	3.0	25.4	25.9	5.1	31.0
Vaccine Research Relief	2.0	-	2.0	2.6	-	2.6
Enhanced Capital Allowance	-	-	-	-	-	-
Total	721.3	1,267.5	1,988.8	612.5	1,002.9	1,615.4

³ These reliefs were introduced in 2014-15.

7. Income

7.1 Operating income

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

Operating income

	2014-15 £m		2013-14 £m	
	Core department	Core department and agency	Core department	Core department and agency
Administration services	(87.3)	(85.1)	(66.9)	(65.0)
Banking services	(16.2)	(16.2)	(15.6)	(15.6)
Other income types	(19.9)	(22.4)	(20.7)	(22.6)
Subscriptions and fees	(19.1)	(19.1)	(16.7)	(16.6)
IT and telephony charges	(9.0)	(9.0)	(6.2)	(6.2)
VOA services	-	(184.0)	-	(186.3)
	(151.5)	(335.8)	(126.1)	(312.3)
Of which:				
Administration income	(97.0)	(95.1)	(68.5)	(66.6)
Programme income	(54.5)	(240.7)	(57.6)	(245.7)
Total	(151.5)	(335.8)	(126.1)	(312.3)

7.2 Analysis of income where full cost exceeds £1 million

Of total operating income received, the following relates to services provided to external and public sector customers where full cost exceeds £1.0 million. In each case the financial objective is to recover the full costs of the service. This information is only provided for fees and charges purposes, and not for IFRS 8 purposes.

Analysis of income where full cost exceeds £1 million

	2014-15 £m			2013-14 £m		
	Income	Full cost	Surplus/ (deficit)	Income	Full cost	Surplus/ (deficit)
Fees and charges raised by the Valuation Office Agency (VOA)						
Non-Domestic Rates and Council Tax	(150.9)	150.4	0.5	(153.1)	152.3	0.8
Statutory Valuation Team	(11.2)	10.7	0.5	(11.9)	11.9	-
Property Services	(16.0)	15.7	0.3	(16.0)	16.1	(0.1)
Local Housing Allowance and Fair Rents	(15.0)	14.9	0.1	(15.0)	14.7	0.3
Fees and charges raised by the core department						
International Assistance ¹	-	-	-	(0.4)	0.7	(0.3)
Anti-Money Laundering Regime	(8.7)	8.2	0.5	(7.6)	7.4	0.2
Bank charges via GBS	(15.8)	13.8	2.0	(15.3)	13.7	1.6
National Minimum Wage	(8.8)	8.8	-	(7.3)	7.3	-
Collection of Student Loans	(6.6)	6.6	-	(4.7)	5.7	(1.0)
DWP Welfare Reform Agenda	(2.3)	2.3	-	(2.4)	2.4	-
Services provided to VOA	(3.3)	3.2	0.1	(3.3)	3.3	-
UK Border Agency	(19.9)	19.9	-	(20.6)	20.6	-
The Child Maintenance Service	-	-	-	(0.5)	0.5	-
Civil Service Resourcing ²	(42.2)	42.0	0.2	(25.2)	24.0	1.2
Accommodation recharges	(4.5)	4.5	-	(5.0)	5.6	(0.6)
Single Tier Pension Reform	(4.1)	4.1	-	(3.2)	3.2	-
Scotland Act Implementation ³	(2.5)	2.5	-	(1.0)	1.0	-
Statutory Shared Parental Pay and Leave	(1.1)	1.2	(0.1)	-	-	-
Total	(312.9)	308.8	4.1	(292.5)	290.4	2.1

¹ For this service it is not the financial objective to recover the full costs.

² Civil Service Resourcing (CSR), which HMRC 'hosts' on behalf of the Civil Service, is the professional resourcing and talent management service for the Civil Service, administering a centralised process across the end to end scope of resourcing activities including recruitment, redeployment and the Civil Service fast stream. CSR is expected to expand significantly over the course of the upcoming financial years as it takes on the responsibility for all fast stream recruitment.

³ The Scotland Act 2012 gives the Scottish Parliament the power to set a rate of income tax from 2016-17 onwards. This tax will be accounted for within HMRC's Trust Statement. HMRC has incurred costs in establishing systems to identify these costs which are included in the Resource Accounts. Implementation income covers recovery of charges from the Scottish Government in respect of additional costs incurred by HMRC of £1.7 million Scottish Rate of Income Tax (SRIT), £0.6 million Stamp Duty Land Tax and £0.2 million Scotland Programme Office. The SRIT element of the income consists of £779 thousand staff costs, £746 thousand IT costs and £218 thousand other costs. The cumulative total of SRIT income since 2013-14 is £2.5 million.

8. Property, plant and equipment

	Land ¹ £m	Buildings ¹ £m	Accommodation refurbishments ¹ £m	Office and computer equipment £m	Vehicles £m	Furniture and fittings £m	Assets under construction £m	Scientific Aids £m	Total £m
Cost or valuation									
At 1 April 2014	28.9	467.6	164.7	283.4	19.2	52.0	23.1	6.1	1,045.0
Additions	-	-	-	10.7	2.5	4.2	30.0	0.1	47.5
Disposals	-	(26.9)	(3.5)	(43.5)	(1.4)	(7.3)	-	(0.7)	(83.3)
Impairments	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	2.6	38.3	-	0.8	(41.7)	-	-
Revaluations ²	21.1	83.0	-	-	-	-	-	-	104.1
At 31 March 2015	50.0	523.7	163.8	288.9	20.3	49.7	11.4	5.5	1,113.3
Depreciation									
At 1 April 2014	-	(235.3)	(89.5)	(217.1)	(9.5)	(25.9)	-	(3.4)	(580.7)
Charged in-year	-	(19.9)	(12.8)	(30.1)	(2.3)	(3.4)	-	(1.2)	(69.7)
Disposals	-	22.3	3.5	42.5	1.2	5.8	-	0.7	76.0
Impairments	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations ²	-	(8.8)	-	-	-	-	-	-	(8.8)
At 31 March 2015	-	(241.7)	(98.8)	(204.7)	(10.6)	(23.5)	-	(3.9)	(583.2)
Carrying amount at 31 March 2014	28.9	232.3	75.2	66.3	9.7	26.1	23.1	2.7	464.3
Carrying amount at 31 March 2015	50.0	282.0	65.0	84.2	9.7	26.2	11.4	1.6	530.1
The assets are financed as follows:									
Owned	50.0	-	65.0	63.8	9.7	26.2	11.4	1.6	227.7
Finance leased	-	-	-	20.4	-	-	-	-	20.4
On-Statement of Financial Position PFI contracts	-	282.0	-	-	-	-	-	-	282.0
Carrying amount at 31 March 2015	50.0	282.0	65.0	84.2	9.7	26.2	11.4	1.6	530.1
Of the total:									
Core department	50.0	281.5	63.0	80.9	9.7	23.7	9.8	1.6	520.2
Valuation Office Agency	-	0.5	2.0	3.3	-	2.5	1.6	-	9.9
Carrying amount at 31 March 2015	50.0	282.0	65.0	84.2	9.7	26.2	11.4	1.6	530.1

Continued

8. Property, plant and equipment (continued)

	Land ¹ £m	Buildings ¹ £m	Accommodation refurbishments ¹ £m	Office and computer equipment £m	Vehicles £m	Furniture and fittings £m	Assets under construction £m	Scientific Aids £m	Total £m
Cost or valuation									
At 1 April 2013	28.9	496.8	162.1	275.8	14.4	55.0	22.9	6.3	1,062.2
Additions	-	-	-	18.8	4.9	1.8	26.2	0.7	52.4
Disposals	-	(29.2)	(11.9)	(22.5)	(0.1)	(4.7)	-	(0.7)	(69.1)
Impairments	-	-	-	(0.1)	-	(0.3)	-	-	(0.4)
Reclassifications	-	-	14.5	11.4	-	0.3	(26.0)	(0.2)	-
Revaluations ²	-	-	-	-	-	(0.1)	-	-	(0.1)
At 31 March 2014	28.9	467.6	164.7	283.4	19.2	52.0	23.1	6.1	1,045.0
Depreciation									
At 1 April 2013	-	(243.9)	(87.4)	(209.5)	(7.7)	(26.1)	-	(2.7)	(577.3)
Charged in-year	-	(19.9)	(12.9)	(29.7)	(1.9)	(3.6)	-	(1.5)	(69.5)
Disposals	-	28.5	10.8	22.1	0.1	3.8	-	0.8	66.1
Impairments	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations ²	-	-	-	-	-	-	-	-	-
At 31 March 2014	-	(235.3)	(89.5)	(217.1)	(9.5)	(25.9)	-	(3.4)	(580.7)
Carrying amount at 31 March 2013	28.9	252.9	74.7	66.3	6.7	28.9	22.9	3.6	484.9
Carrying amount at 31 March 2014	28.9	232.3	75.2	66.3	9.7	26.1	23.1	2.7	464.3
The assets are financed as follows:									
Owned	28.9	-	75.2	38.6	9.7	26.1	23.1	2.7	204.3
Finance leased	-	-	-	27.7	-	-	-	-	27.7
On-Statement of Financial Position PFI contracts	-	232.3	-	-	-	-	-	-	232.3
Carrying amount at 31 March 2014	28.9	232.3	75.2	66.3	9.7	26.1	23.1	2.7	464.3
Of the total:									
Core department	28.9	232.1	73.5	63.6	9.7	23.8	21.2	2.7	455.5
Valuation Office Agency	-	0.2	1.7	2.7	-	2.3	1.9	-	8.8
Carrying amount at 31 March 2014	28.9	232.3	75.2	66.3	9.7	26.1	23.1	2.7	464.3

¹ See note 1.6.2 for the accounting policy for property assets.

² See notes 1.2 and 1.6 for the accounting policy regarding revaluation of property, plant and equipment.

Property revaluation

A full valuation was undertaken in March 2015 on the basis of existing use. Valuations were performed by the Valuation Office Agency, an executive agency of HM Revenue and Customs, whose services include providing valuation and estate surveying services to government departments.

9. Intangible assets

	Licences £m	Software £m	Website development £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2014	32.4	2,595.9	6.5	160.2	2,795.0
Additions	1.2	-	-	196.8	198.0
Disposals	(0.1)	(11.7)	-	(0.5)	(12.3)
Impairments	-	(28.2)	-	-	(28.2)
Reclassifications	-	181.9	2.6	(184.5)	-
Revaluation ¹	-	69.6	-	-	69.6
At 31 March 2015	33.5	2,807.5	9.1	172.0	3,022.1
Amortisation					
At 1 April 2014	(25.7)	(1,575.2)	(1.3)	-	(1,602.2)
Charged in-year	(3.5)	(201.4)	(1.2)	-	(206.1)
Disposals	0.1	9.6	-	-	9.7
Impairments	-	22.1	-	-	22.1
Reclassifications	-	-	-	-	-
Revaluation ¹	-	(42.7)	-	-	(42.7)
At 31 March 2015	(29.1)	(1,787.6)	(2.5)	-	(1,819.2)
Carrying amount at 31 March 2014	6.7	1,020.7	5.2	160.2	1,192.8
Carrying amount at 31 March 2015	4.4	1,019.9	6.6	172.0	1,202.9
The assets are financed as follows:					
Owned	3.6	1,019.9	6.6	172.0	1,202.1
Finance leased	-	-	-	-	-
On-Statement of Financial Position PFI contracts	0.8	-	-	-	0.8
Carrying amount at 31 March 2015	4.4	1,019.9	6.6	172.0	1,202.9
Of the total:					
Core department	4.4	1,005.0	6.6	168.7	1,184.7
Valuation Office Agency	-	14.9	-	3.3	18.2
Carrying amount at 31 March 2015	4.4	1,019.9	6.6	172.0	1,202.9

Continued

9. Intangible assets (continued)

	Licences £m	Software £m	Website development £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2013	34.7	2,476.6	5.0	143.5	2,659.8
Additions	3.1	0.4	-	181.2	184.7
Disposals	(6.4)	(78.4)	-	-	(84.8)
Impairments	-	(3.0)	-	-	(3.0)
Reclassifications	1.0	162.0	1.5	(164.5)	-
Revaluation ¹	-	38.3	-	-	38.3
At 31 March 2014	32.4	2,595.9	6.5	160.2	2,795.0
Amortisation					
At 1 April 2013	(28.2)	(1,436.1)	(0.6)	-	(1,464.9)
Charged in-year	(3.9)	(196.7)	(0.7)	-	(201.3)
Disposals	6.4	77.8	-	-	84.2
Impairments	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluation ¹	-	(20.2)	-	-	(20.2)
At 31 March 2014	(25.7)	(1,575.2)	(1.3)	-	(1,602.2)
Carrying amount at 31 March 2013	6.5	1,040.5	4.4	143.5	1,194.9
Carrying amount at 31 March 2014	6.7	1,020.7	5.2	160.2	1,192.8
The assets are financed as follows:					
Owned	4.8	1,020.6	5.2	160.2	1,190.8
Finance leased	-	-	-	-	-
On-Statement of Financial Position PFI contracts	1.9	0.1	-	-	2.0
Carrying amount at 31 March 2014	6.7	1,020.7	5.2	160.2	1,192.8
Of the total:					
Core department	6.7	1,004.6	5.2	156.1	1,172.6
Valuation Office Agency	-	16.1	-	4.1	20.2
Carrying amount at 31 March 2014	6.7	1,020.7	5.2	160.2	1,192.8

¹ See notes 1.2 and 1.7 for the accounting policy regarding revaluation of intangible assets.

10. Impairments

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

	Note	Impairment taken through the revaluation reserve		Impairment charged to the Consolidated Statement of Comprehensive Net Expenditure	
		Core department	Core department and agency £m	Core department	Core department and agency £m
Property, plant and equipment	8	-	-	-	-
Intangible assets	9	-	-	5.5	6.1
Impairment charged for the year ended 31 March 2015		-	-	5.5	6.1

	Note	£m		£m	
		Core department	Core department and agency	Core department	Core department and agency
Property, plant and equipment	8	-	-	-	-
Intangible assets	9	-	-	3.4	3.4
Impairment charged for the year ended 31 March 2014		-	-	3.4	3.4

11. Capital and other commitments

11.1 Capital commitments

The majority of capital commitments relate to the future cost of the development work raised under the IT service contract with the department's IT suppliers.

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

	2014-15 £m		2013-14 £m	
	Core department	Core department and agency	Core department	Core department and agency
Property, plant and equipment	0.6	0.9	2.7	3.6
Intangible assets	41.6	41.8	118.8	118.8
	42.2	42.7	121.5	122.4

11.2 Commitments under leases

11.2.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below. The buildings payments relate to property leased by Mapeley from third-party landlords on behalf of the department; property leased by the department direct from private landlords and the minor occupation of other government department buildings. The property leases vary in length and the department has no right of purchase at the end of the contract but would re-negotiate leases where continued occupation is desired. The properties have been assessed against IAS 17 *Leases* and determined as operating leases and therefore the associated commitments have been recorded in this note.

The other commitments relate to a number of IT and vehicle leasing contracts. They include a contract with Inchcape Fleet Solutions (IFS) for the fleet management including service, maintenance and repair of motor vehicles over a four year period with a renewal option of a further two years. IFS also provide 61 per cent of the department's leased vehicles under this contract. There are no purchase options within the lease agreements. There are options to both informally and formally extend each lease agreement. There are no specific escalation clauses relating to the lease agreements. The remaining vehicles leased by the department are provided by other lease companies (Alphabet, Arnold Clark and Lex Autolease) via CCS Framework or CCS Fleet Portal, again there are no purchase options within the lease agreements but there are options to informally and formally extend each of the lease agreements. The payment of these lease costs to other lease companies go via IFS, our fleet management supplier.

Obligations under operating leases

		2014-15 £m		2013-14 £m
	Core department	Core department and agency	Core department	Core department and agency
Land and buildings				
Not later than one year	86.7	95.4	98.3	108.3
Later than one year and not later than five years	321.9	328.9	379.4	390.4
Later than five years	118.4	118.5	224.5	224.9
	527.0	542.8	702.2	723.6
Other				
Not later than one year	7.1	7.2	9.0	9.1
Later than one year and not later than five years	9.7	9.8	1.4	1.4
Later than five years	-	-	-	-
	16.8	17.0	10.4	10.5

11.2.2 Finance leases

The following commitments are in respect of assets that have been brought onto the department's Consolidated Statement of Financial Position (SoFP) under IAS 17. Total finance lease charges are given in the table below. The buildings payments relate to property leased by Mapeley from third-party landlords on behalf of the department and property leased by the department direct from private landlords. The department does provide services for some contracts which are treated as finance leases. The property leases vary in length and the department has no right of purchase at the end of the contract but would re-negotiate leases where continued occupation is desired.

Obligations under finance leases

		2014-15 £m		2013-14 £m
	Core department	Core department and agency	Core department	Core department and agency
Buildings				
Not later than one year	3.0	3.0	3.9	3.9
Later than one year and not later than five years	11.8	11.8	15.6	15.6
Later than five years	4.5	4.5	9.0	9.0
	19.3	19.3	28.5	28.5
Less interest element	(5.1)	(5.1)	(7.8)	(7.8)
Present value of obligations	14.2	14.2	20.7	20.7

11.2.3 Finance leases – Consolidated Statement of Comprehensive Net Expenditure – future commitments

Finance lease payments to which the department is committed

	2014-15 £m		2013-14 £m	
	Core department	Core department and agency	Core department	Core department and agency
Buildings				
Not later than one year	6.2	6.2	5.4	5.4
Later than one year and not later than five years	20.8	20.8	19.7	19.7
Later than five years	6.2	6.2	7.4	7.4
	33.2	33.2	32.5	32.5

11.3 Commitments under PFI and other service concession arrangements

11.3.1 Off-Statement of Financial Position

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

11.3.2 On-Statement of Financial Position

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

The STEPS contract is subjected to annual RPI movements and adjustments for index efficiencies. There is no automatic right of renewal for the STEPS contract at the expiry of the agreement on 2 April 2021; but the contract provides for new market lease terms to be agreed if required, giving the department continued rights of occupation in HMRC's former freehold and historic leasehold estate beyond contract expiry. Options for termination of the contract include default (without compensation) and termination for convenience (with compensation).

The NEP contract is subject to an annual uplift in January in relation to the Availability Charge (i.e. rent) and a further annual uplift relating to the Condition Payment (service charge) in April. While there is a phased building specific expiry arrangement concluding October 2029, the contract contains options to extend the occupancy of buildings which can be exercised three years before the expiry of building occupancy agreements via negotiation with the landlord. There are a number of options to terminate the contract which include voluntary termination giving 12 months notice with compensation, termination for Force Majeure, termination for default without compensation and finally contractor insolvency.

The IT contract was originally for a ten year period commencing on 1 July 2004. The contract incorporated an option to extend it up to a further eight years. In 2007 the department exercised the option to extend it for a further three years to 30 June 2017 in return for achieving certain pricing reductions.

On 19 December 2014 the department agreed the novation of the original ASPIRE contract into three separate IT contracts directly with suppliers (Capgemini, Fujitsu and Accenture) with effect from 1 January 2015, with no further extension.

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

Details of the imputed finance lease charges

		2014-15 £m		2013-14 £m
	Core department	Core department and agency	Core department	Core department and agency
Rentals due within one year	56.0	56.1	62.0	62.0
Rentals due later than one year and not later than five years	190.8	191.0	198.3	198.6
Rentals due later than five years	384.1	384.1	427.2	427.3
	630.9	631.2	687.5	687.9
Less interest element	(310.8)	(311.0)	(348.4)	(348.6)
Present value of obligations	320.1	320.2	339.1	339.3

Details of the minimum service charge

		2014-15 £m		2013-14 £m
	Core department	Core department and agency	Core department	Core department and agency
Service charge due within one year	489.7	489.7	528.2	528.3
Service charge due later than one year and not later than five years	819.9	820.0	1,219.3	1,219.4
Service charge due later than five years	428.6	428.7	524.9	525.0
Total	1,738.2	1,738.4	2,272.4	2,272.7

11.3.3 Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Consolidated Statement of Comprehensive Net Expenditure in respect of on-Statement of Financial Position PFI and other service concession arrangement transactions (there were no off-Statement of Financial Position transactions) was £610.0 million¹ (2013-14: £662.1 million) and the payments to which the department is committed are detailed in the table below.

¹ This amount is included within the figures reported in note 4 and note 5 as PPP and PFI service charges.

Payments under PFI and other service concession arrangements to which the department is committed

		2014-15 £m		2013-14 £m
	Core department	Core department and agency	Core department	Core department and agency
Not later than one year	524.2	524.3	565.2	565.3
Later than one year and not later than five years	932.4	932.6	1,342.8	1,343.0
Later than five years	592.5	592.5	712.9	713.0
	2,049.1	2,049.4	2,620.9	2,621.3

11.4 Other financial commitments

During 2014-15 the department had no non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements).

12. Financial instruments

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

The following disclosures are made to allow users of the department's financial statements to evaluate the nature and extent of risks arising from financial instruments to which the department is exposed at the reporting date.

The risks considered are credit risk (the risk of default by a counter-party receivable), liquidity risk (the risk that the department will not be able to discharge its financial obligations) and market risk (the risk of loss from fluctuations in market prices).

As the cash requirements of the department are largely met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the department's expected purchase and usage requirements and the department is therefore exposed to little credit or market risk. The department does not face a liquidity risk as its operations, including benefits payments, are financed by the Exchequer.

The department holds no collateral or other credit enhancement in respect of its financial assets. A review has been conducted of all its material contracts and has concluded that there are no separable material embedded derivatives which require disclosure.

The value of financial assets and financial liabilities carried at amortised cost is deemed to be a reasonable approximation of their fair value. In respect of receivables and payables, these have not been discounted to present value as it has been concluded that the effect would not be material. When considering personal tax credits, there is also fundamental uncertainty in the estimate of future inflows which would make any such discounting insufficiently reliable. Further information in relation to receivables and payables can be seen in notes 16 and 17. Personal tax credits can be seen in more detail in note 6. Assumptions on the recoverability of receivable balances are reviewed on an annual basis and appropriate adjustments for impairment are made.

13. Investments in other public sector bodies

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

14. Inventories

The value of the inventories at 31 March 2015 was £2.3 million (31 March 2014: £2.2 million) and relates entirely to the Valuation Office Agency. Full details can be found within the Valuation Office Agency account that can be viewed at www.gov.uk/government/organisations/valuation-office-agency.

15. Cash and cash equivalents

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

Cash and cash equivalents

	2014-15 £m		2013-14 £m	
	Core department	Core department and agency	Core department	Core department and agency
Balance 1 April	4.5	22.6	12.0	24.4
Net change in cash and cash equivalent balances	2.3	3.1	(7.5)	(1.8)
Balance at 31 March	6.8	25.7	4.5	22.6
Of which balances were held at:				
Government Banking Service	5.8	24.7	3.6	21.7
Commercial banks and cash in hand	1.0	1.0	0.9	0.9
Balance at 31 March	6.8	25.7	4.5	22.6

16. Trade receivables, financial and other assets

16.1 Receivables analysis

	2014-15 £m		2013-14 £m	
	Core department	Core department and agency	Core department	Core department and agency
Amounts falling due within one year:				
Trade receivables	-	5.6	-	5.2
Deposits and advances	25.0	23.2	21.7	20.3
Value Added Tax	16.6	16.6	17.3	17.3
Other receivables - excluding Child Benefit and tax credits ¹	6.9	7.6	5.1	4.8
Other receivables - Child Benefit ²	21.6	21.6	26.8	26.8
Other receivables - personal tax credits ³	1,119.9	1,119.9	922.5	922.5
Prepayments and accrued income - excluding Child Benefit and tax credits	56.1	57.6	20.3	21.4
Prepayments - Child Benefit	68.2	68.2	35.7	35.7
	1,314.3	1,320.3	1,049.4	1,054.0
Amounts falling due after more than one year:				
Trade receivables	-	-	-	-
Other receivables - personal tax credits ³	1,740.6	1,740.6	1,467.5	1,467.5
	1,740.6	1,740.6	1,467.5	1,467.5

¹ This figure is net of provision for impairment amounting to core: £16.2 million, consolidated: £16.5 million (2013-14: core: £17.5 million, consolidated: £17.8 million).

² This figure is net of provision for impairment amounting to core: £19.8 million (2013-14: core: £13.0 million).

³ This figure is net of provision for impairment amounting to core: £4,065.0 million (2013-14: core: £4,095.8 million) (see note 6).

16.2 Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15 £m	2013-14 £m	2014-15 £m	2013-14 £m
Balances with other central government bodies	72.1	36.2	-	-
Balances with local authorities	8.2	37.7	-	-
Balances with NHS bodies	3.3	0.7	-	-
Balances with public corporations and trading funds	0.2	-	-	-
<i>Subtotal: intra-government balances</i>	83.8	74.6	-	-
Balances with bodies external to government	1,236.5	979.4	1,740.6	1,467.5
Total receivable at 31 March	1,320.3	1,054.0	1,740.6	1,467.5

17. Trade payables and other current liabilities

The department is committed to the prompt payment of invoices. Payment is regarded as late if made outside the agreed terms, or, where no terms were agreed, beyond 30 days after receipt of goods and valid invoice. The department paid 99.9 per cent (2013-14: 99.7 per cent) of supplier invoices within 30 days.

The department aims to pay invoices within five days of receipt of goods and valid invoice. The department paid 94.8 per cent (2013-14: 93.8 per cent) of supplier invoices within five days. The legal requirement remains at 30 days.

In 2014-15 interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 was £24 (2013-14: £11).

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

17.1 Payables analysis

Trade payables and other current liabilities

		2014-15 £m		2013-14 £m
	Core department	Core department and agency	Core department	Core department and agency
Amounts falling due within one year:				
Other taxation and social security	(37.6)	(37.6)	(39.1)	(39.1)
Trade payables	(56.9)	(57.0)	(51.9)	(53.9)
Other payables - excluding Child Benefit and tax credits	(0.8)	(0.8)	(2.2)	(2.2)
Other payables - Child Benefit	(8.7)	(8.7)	(14.3)	(14.3)
Other payables - personal tax credits	(653.5)	(653.5)	(791.6)	(791.6)
Accruals and deferred income excluding Child Benefit and tax credits	(395.1)	(413.0)	(390.1)	(407.4)
Accruals - Child Benefit	(173.8)	(173.8)	(208.8)	(208.8)
Accruals - corporation tax reliefs	(1,444.3)	(1,444.3)	(1,150.0)	(1,150.0)
IT PPP payables	(9.8)	(9.8)	(17.4)	(17.4)
Accommodation PFI payables	(11.6)	(11.7)	(10.4)	(10.4)
Accommodation non-PFI payables	(1.8)	(1.8)	(2.2)	(2.2)
Amounts issued from the Consolidated Fund for Supply but not spent at year end	(5.0)	(23.9)	(4.4)	(22.5)
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund				
received	(1.8)	(1.8)	(0.1)	(0.1)
receivable	-	-	-	-
	(2,800.7)	(2,837.7)	(2,682.5)	(2,719.9)
Amounts falling due after more than one year:				
IT PPP payables	(13.6)	(13.7)	(20.2)	(20.3)
Accommodation PFI payables	(285.0)	(285.0)	(296.2)	(296.2)
Accommodation non-PFI payables	(12.5)	(12.5)	(18.5)	(18.5)
	(311.1)	(311.2)	(334.9)	(335.0)

17.2 Intra-government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15 £m	2013-14 £m	2014-15 £m	2013-14 £m
Balances with other central government bodies	(120.7)	(102.5)	-	-
Balances with local authorities	(6.8)	-	-	-
Balances with NHS bodies	(0.2)	-	-	-
Balances with public corporations and trading funds	(7.7)	(4.6)	-	-
<i>Subtotal: intra-government balances</i>	<i>(135.4)</i>	<i>(107.1)</i>	<i>-</i>	<i>-</i>
Balances with bodies external to government	(2,702.3)	(2,612.8)	(311.2)	(335.0)
Total payable at 31 March	(2,837.7)	(2,719.9)	(311.2)	(335.0)

18. Provisions for liabilities and charges

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

Provisions for liabilities and charges

	2014-15 £m	2013-14 £m
Core department	Core department and agency	Core department and agency
Balance at 1 April	(114.5)	(129.6)
Provided in the year	(85.1)	(36.8)
Provisions not required written back	19.2	17.9
Provisions utilised in the year	30.0	33.4
Borrowing costs (unwinding of discounts)	(0.6)	(1.3)
Balance at 31 March	(151.0)	(116.4)

18.1 Analysis of expected timing of discounted flows

		2014-15 £m Core department and agency	2013-14 £m Core department and agency
Not later than one year	(100.1)	(101.2)	(78.9)
Later than one year and not later than five years	(49.5)	(50.1)	(35.0)
Later than five years	(1.4)	(1.4)	(0.6)
Balance at 31 March	(151.0)	(152.7)	(114.5)

	Early departure costs £m	Child Trust Fund £m	Legal claims £m	Accommodation costs £m	Other £m	Total £m
Not later than one year	(13.3)	(1.0)	(72.5)	(0.8)	(13.6)	(101.2)
Later than one year and not later than five years	(15.4)	-	(5.2)	(0.1)	(29.4)	(50.1)
Later than five years	-	-	(1.2)	-	(0.2)	(1.4)
Balance at 31 March	(28.7)	(1.0)	(78.9)	(0.9)	(43.2)	(152.7)

18.2 Early departure costs

The department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts monthly to the PCSPS paying agent over the period between the early departure date and normal retirement date. The department has provided for this in full at the point when the early retirement programme became binding by establishing a provision for the estimated payments, discounting by the HM Treasury discount rate of 1.3 per cent in real terms, and updated annually to reflect the unwinding of the discount.

18.3 Child Trust Fund

Child Trust Fund (CTF) endowments; eligibility to which ceased on 3 January 2011, provided assistance with the funding on long-term individual savings and investment accounts provided by approved financial institutions. A provision of £1.0 million was retained in 2013-14 for general CTF payments amounts forecast to become payable in respect of children qualifying for CTF endowments. Utilisations in 2014-15 total £10.8 thousand (2013-14: £0.2 million).

18.4 Legal claims

A provision of £78.9 million (2013-14: £62.6 million) has been made for costs relating to various legal claims against the department. The provision reflects all known claims, in excess of the de minimis limit for reporting of £0.1 million, where legal advice indicates that it is probable that the claim will be successful and the amount of the claim can be reliably estimated. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 20.

18.5 Accommodation costs

A provision of £0.9 million has been made (2013-14: £0.7 million) for buildings related claims giving rise to probable liabilities under tenancy agreements and for personal injury claims relating to HMRC estate where the amount of the claims can be reliably estimated. Claims, which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 20.

18.6 Other

Provisions relating to various other claims against the department amount to £43.2 million (2013-14: £5.8 million). The increase from 2013-14 is predominantly due to £29.8 million for potential future payscale and progression payments and £4.2 million pertaining to potential costs of introducing the Tax Free Childcare benefit.

19. Pension liability

The Valuation Office Agency merged with The Rent Service on 1 April 2009, taking on staff who are members of the Local Government Pension Scheme. The pension assets and liabilities, part of the Local Government Pension Scheme are reflected in the Consolidated Statement of Financial Position (see page 135).

Further information can be found within the Valuation Office Agency accounts (HC 143) that can be viewed at www.gov.uk/government/organisations/valuation-office-agency.

20. Contingent liabilities

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

The department has the following quantifiable contingent liabilities:

Shipbuilders' Relief - a contingent liability of £19.5 million (2013-14: £18.9 million) exists for potential future claims against the department. This relief is disclosed as a contingent liability as when a contract to build a vessel is signed it creates a possible obligation that will only be satisfied if two future events occur.

Legal claims - a contingent liability of £68.1 million (2013-14: £60.1 million) exists for costs that may be awarded should various legal cases in which HMRC is involved be determined against the department. The contingent liability covers all such cases where the outcome is unknown or cannot be estimated reliably.

Guaranteed costs - possible liability where appointed liquidators have been guaranteed payment of their costs with a view to recovery of outstanding tax liabilities £0.8 million, 81 cases (2013-14: £1.0 million, 94 cases).

Other - the department has a further number of contingent liabilities amounting to £10.0 million (2013-14: £6.6 million).

In addition to contingent liabilities reported within the meaning of IAS 37, the department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament. These costs are reproduced in the table below.

Indemnities

	1 April 2014 £m	Increase in year £m	Liabilities crystallised in year £m	Obligation expired in year £m	31 March 2015 £m	Amount reported to Parliament by departmental minute £m
Indemnities	8.0	2.0	-	(2.1)	7.9	-

The department has not entered into any guarantees of costs agreements, issued any letters of comfort, nor entered into any unquantifiable contingent liabilities.

21. Losses and special payments

21.1 Losses statement

	Core department		2014-15 Core department and agency		Core department		2013-14 Core department and agency	
	cases	£m	cases	£m	cases	£m	cases	£m
Losses are made up of:								
Personal tax credits remissions ¹	1,853,328	120.5	1,853,328	120.5	2,451,742	136.2	2,451,742	136.2
Personal tax credits write-offs	47,584	50.0	47,584	50.0	29,101	38.6	29,101	38.6
Child Benefit irrecoverable overpayments	37,743	13.0	37,743	13.0	38,659	10.6	38,659	10.6
Law costs remissions	4,005	(0.1)	4,005	(0.1)	14,478	1.4	14,478	1.4
Others	1,086	0.5	1,114	0.5	982	1.7	1,016	1.8
Total	1,943,746	183.9	1,943,774	183.9	2,534,962	188.5	2,534,996	188.6

¹ Following review, in 2014-15 remissions of £39.7 million have been classified as expenditure as they relate to adjustments to entitlement. The remissions for 2013-14 include £68.8 million for this category.

Details of cases more than £300,000

There were no individual cases of more than £300 thousand in 2014-15.

Personal tax credits

There was one exercise conducted during 2014-15 which resulted in £39.6 million being remitted/written-off. The remaining £130.9 million was remitted/written-off as a result of our business as usual processing activity.

Child Benefit

The £13.0 million remitted/written-off was as a result of our business as usual processing activity.

21.2 Special payments

In HMRC special payments include compensation and ex-gratia payments in respect of personal injury, damage to property and those which result from the department's redress policy. For further details of what constitutes a special payment please see the HM Treasury guidance in *Managing Public Money Annex 4.13*.

Special payments

	2014-15				2013-14			
	Core department		Core department and agency		Core department		Core department and agency	
	cases	£m	cases	£m	cases	£m	cases	£m
Payments and accruals	26,018	5.1	26,100	5.2	21,805	3.7	21,865	3.8

Details of cases more than £300,000

There were no individual cases of more than £300 thousand in 2014-15.

21.3 Severance payments

Severance payments are paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements when leaving employment in the public service whether they resign, are dismissed or reach an agreed termination of contract. For 2014-15 the department made seven payments totalling £87 thousand in respect of severance cases. The highest payment was for £33 thousand and the lowest payment for £2 thousand, the average payment was for £12 thousand.

22. Related-party transactions

The department is the parent of the Valuation Office Agency. This body is regarded as a related-party with which the department has had various material transactions during the year.

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

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

No Board member, key manager or other related parties has undertaken any material transactions with the department during the year.

23. Entities within the departmental boundary

The Valuation Office Agency, a supply-financed agency, was the only entity within the departmental boundary during 2014-15; there were no non-departmental public bodies within the departmental boundary.

The Annual Report and Accounts of the Valuation Office Agency are published separately and can be viewed at www.gov.uk/government/organisations/valuation-office-agency

24. Events after the reporting period date

There are no reportable non-adjusting events after the reporting period. The financial statements were authorised for issue by the Principal Accounting Officer on 16 July 2015.

Glossary

Glossary to the Financial Statements

Accrued Revenue Payable (ARP) – there are three distinct types of ARP. These comprise:

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

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

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

Amortisation – this is the method of spreading the cost of a non-current intangible asset over its useful life.

Annually Managed Expenditure (AME) – departments are allocated a separate annually managed spending limit called AME which has a shorter term view than the DEL limit. AME is more volatile than DEL expenditure and therefore is more difficult to explain or control as it is spent on programmes which are demand-led – such as tax credits or Child Benefit.

CFER – Consolidated Fund Extra Receipts. This is income which the department is not entitled to retain and it is passed over to HM Treasury.

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

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

Consolidated Statement of Changes in Taxpayers' Equity (CSocTE) – a statement which explains the movements in the department and departmental group's net assets between the start and end of a financial year.

Consolidated Statement of Comprehensive Net Expenditure (CSocNE) – this is the performance statement, the equivalent of the 'Profit and Loss' Account and Statement of Total Recognised Gains and Losses. It reports a summary of the departmental group's expenditure and income for the financial year, along with its gains and losses.

Consolidated Statement of Financial Position (CSocFP) – previously known as the Balance Sheet, it provides a snapshot of the assets, liabilities and reserves of the group as at the end of the reporting period.

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

Current assets – a current asset is cash, or any other asset that will be turning to cash or a cash equivalent, within one year from the department's reporting date.

Current liabilities – a current liability is an obligation that is due within one year of the department's reporting date.

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

Departmental Expenditure Limits (DEL) – this is the spending budget that is allocated to and spent by government departments. This amount, and how it is split between government departments, is set at Spending Reviews. It is normally categorised as capital DEL and resource DEL. Departmental expenditure includes the running of the services and the everyday cost of resources such as staff. The DEL limit is tightly controlled by HM Treasury. A department's expenditure is deemed to be DEL unless HM Treasury has specified otherwise.

Depreciation – this is the method of spreading the cost of a non-current tangible asset over its useful life.

Excess Vote – if a department breached either the total resource-based estimates or the cash limits this will result in an Excess Vote.

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

Force Majeure – a common clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties, or an event described by the legal term 'act of god'.

FReM – Financial Reporting Manual. This is the HM Treasury technical accounting guide to the preparation of financial statements for government.

IAS – International Accounting Standard.

IFRIC – the IFRS Interpretations Committee (IFRIC) develop guidance on appropriate accounting treatment of particular issues. They are approved by the International Accounting Standards Board (IASB).

IFRS – International Financial Reporting Standards. The Financial Statements of Government adopted IFRS from 2009-10 as the basis for preparation of their accounts which were previously prepared under UK- based Generally Accepted Accounting Principles (UK GAAP).

Impairment of Receivables – (formerly known as 'Provision for Doubtful Debt' [PDD]) – The process of reducing receivables to a fair value that is likely to be collected.

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

Intangible – intangible assets are non-physical assets, for example, developed computer software and website development costs.

Losses – losses are made up of remissions and write-offs. Remission is the process used to identify and separate receivables which the department has decided not to pursue, for example on the grounds of value for money. Write-offs are receivables that are considered to be irrecoverable, for example because there is no practical means for pursuing them.

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

Negative tax – this occurs where the amount of tax credit to be paid out is less than or equal to the recipient's tax liability.

Net cash requirement – the amount of funding that the department is entitled to draw down from the Consolidated Fund.

Non-current assets – an asset that is not likely to turn to cash or cash equivalent within one year of the department's reporting date.

Non-current liabilities – a liability not due to be paid within one year of the department's reporting date.

Non-voted expenditure – expenditure which is not subject to annual Parliamentary approval and mainly relates to tax credits and costs in respect of the National Insurance Fund.

Payables – (formerly known as 'Creditors') – payables are amounts recognised as owing by the department at the end of the reporting period but payment has not been made.

Payments of entitlement – this is the element of a relief which is in excess of the recipient's tax liability.

PFI – Private Finance Initiative (PFI) is a way of creating 'public-private partnerships' by funding public infrastructure projects with private capital.

Programme costs – these relate to the costs incurred in the delivery of front line services such as the parts of the department which interact directly with our external customers. In addition it includes the payments made for tax credits, Child Benefit and other disbursements by the department. All expenditure and associated operating income for the Valuation Office Agency is treated as Programme.

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

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

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

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

Statement of Parliamentary Supply (SoPS) – this is the primary parliamentary accountability statement and is unique to central government financial reporting. It reports the total outturn (how much has been spent) for the departmental group compared with the amounts approved by Parliament in the Estimate, in the various categories of expenditure.

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

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

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

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

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

Voted expenditure – monies voted to the department by Parliament to cover our expenditure, following the submission of our Estimates. Parliament votes annually on each government department's future expenditure.