

Customer compliance: How HMRC's compliance yield is split by business area and how we categorise tax under consideration from large businesses

Compliance yield breakdown in 2018-19

HMRC has previously reported its compliance yield – the additional tax revenue from our compliance activity – under the headings of cash expected, revenue losses prevented, future revenue benefit, product and process, and since 2015, Accelerated Payments. We still report these in HMRC's Annual Report and Accounts 2018-19, but on the following pages, we also report from which specific directorate the compliance results were delivered, and the head of duty under which the risks tackled were identified.

In its 2014-15 Standard Report, the National Audit Office (NAO) said that there were inconsistencies between how we recorded future revenue benefit (FRB) and product and process yield¹. FRB was reported in the year the compliance intervention concluded, whereas product and process yield is reported when the product or process change has an impact on Exchequer receipts.

At the beginning of the Spending Review 2015 period (2016-17 to 2019-20), and responding to the NAO's recommendation, we started recording FRB for the future year or years in which the FRB has an impact on Exchequer receipts.² The technical note published provides more background to this methodology.

The following tables show the compliance yield generated by HMRC during 2018-19, broken down by directorate³. This year we have improved the quality and coverage of our data relating to Future Revenue Benefit. We are therefore able to report head of duty and directorate splits of compliance yield on the same basis as the Annual Report and Accounts for the first time. Based on this methodology, this results in the total yield generated of £34,070 million.

This improvement to our data has had no impact on the total FRB that we score, only the timing of the year in which we score it. As a result, totals reported for the head of duty and directorate splits of compliance yield in previous years technical notes are not comparable to the totals on page 2.

¹ These classifications are explained further in [HMRC's Annual Report and Accounts 2018-19](#)

² A [technical paper](#) has accompanied our Annual Report and Accounts since 2016-17 explaining how HMRC planned to change how it reports FRB and the impact of the change compared to the original method.

³ Note that HMRC's Annual Report and Accounts provides a breakdown of compliance yield by customer group, which does not read across to directorates. For example, yield from some directorates, such as the Fraud Investigation Service and the Counter-Avoidance Directorate, cut across customer groups.

Large Business Directorate	
Tax regime	2018-19 (£m)
Corporation Tax	2,608
Excise	385
Income Tax	61
VAT	6,033
Other compliance interventions	679
Total	9,766

Wealthy and Mid-Sized Business Compliance⁴ Directorate	
Tax regime	2018-19 (£m)
Corporation Tax	343
Excise	0.4
Income Tax	1,852
VAT	2,643
Other compliance interventions	846
Total	5,684

Individuals and Small Business Compliance Directorate	
Tax regime	2018-19 (£m)
Corporation Tax	238
Excise	608
Income Tax	1,178
VAT	1,777
Other compliance interventions	1,081
Total	4,882

⁴ Wealthy and Mid-sized Business Compliance deals with wealthy individuals (both high net worth and affluent), mid-sized businesses as well as public bodies and specialist employer compliance.

Counter-Avoidance Directorate	
Tax regime	2018-19 (£m)
Accelerated Payments	273
Corporation Tax	31
Income Tax	1,513
Other compliance interventions	895
Total	2,713

Fraud Investigation Service	
Tax regime	2018-19 (£m)
Corporation Tax	92
Excise	2,932
Income Tax	656
VAT	1,047
Other compliance interventions	632
Total	5,359

Other customer group activities	
	2018-19 (£m)
Other compliance activities ⁵	5,667

Overall total	2018-19 (£m)
Total	34,070⁶

⁵ This includes: other activities in relation to Risk and Intelligence Service activities, debt collection work and other personal tax compliance activity.

⁶ Total may not sum due to rounding

HMRC's approach to tax compliance and large businesses

HMRC's Large Business directorate works with around 2,000 of the UK's largest and most complex businesses to make sure they pay the correct amount of tax at the right time. We subject large businesses to an exceptional level of scrutiny; we actively investigate the tax affairs of around half of the UK's largest businesses at any one time.

The department's compliance strategy is based on directing our efforts where we think there's the greatest risk of tax being unpaid.

With large businesses, the money involved and the complexity of their tax affairs means we take a resource-intensive approach. We assign a senior tax expert called a Customer Compliance Manager (CCM) to each of the UK's largest businesses. Their primary role is to make sure the business pays everything it owes. CCMs are experts in their field and build an in-depth knowledge of the business and the sectors it operates in. They are also supported by other tax specialists, and can call on data analysts, solicitors, audit specialists, trade sector experts and forensic accountants.

HMRC's approach is in line with internationally recognised best practice. We continue to enhance our cooperative compliance model by further engagement with other fiscal authorities. This enables us to share best practice, to work more efficiently with multinational enterprises (MNEs), as well as to ensure greater transparency, building public confidence about the integrity of both the UK and global tax systems.

In 2018-19, the Large Business Directorate achieved yield of £9.8 billion, as shown in the table on page 2.

Tax under consideration

Tax under consideration is an estimate of the maximum potential additional tax liability in each case before we have carried out a full investigation of the specific facts or analysis of relevant law. It is not actual tax either owed or unpaid, it is a tool to guide our enquiries to focus on the most significant risks that exist at any particular time with the largest businesses.

In many cases, when we have looked at the full facts, it becomes clear that there is some lesser liability or even no further liability at all. Tax under consideration will naturally vary from time to time as outstanding issues are settled and new risks are identified.

The total is a snapshot of work in progress at a given point. Tax under consideration covers all taxes and duties, including Corporation Tax, VAT, PAYE and National Insurance Contributions.

A snapshot, as at 31 March 2019, of the tax under consideration figure for enquiries by HMRC's Large Business directorate is shown in the following table.

Inaccuracy category	Tax under consideration
Accounting standards	£329,610,383
Apprenticeship Levy	£2,329,151
Assessment – NICs	£927,845
Avoidance	£1,295,090,572
Bank Levy	£35,217,561
Capital allowances	£626,053,157
Classification	£3,651,076
Company structure	£12,346,338
Computational	£13,582,553
CT Capital Gains	£570,287,074
CT correction and validation work	£4,687,601
Customs procedures with economic impact	£17,581,421
Earnings	£153,971,897
Employment issues	£695,708,349
EU issues	£472,245,563
Expenditure	£18,545,599
Expenses	£19,969,996
Failure to notify	£13,476,269
Financial	£1,765,163,767
Group Litigation Order	£1,021,331,907
Input tax over-claimed	£1,333,629,067
Intangible Asset Regime	£1,022,520,388
International	£2,491,849,760
Leasing	£594,176,646
Loss Relief	£625,235,284
Management expenses	£75,463,244
Not registered as contractor	£29,669,345
Oil CT Ring Fence	£155,647,589
Other issues	£915,259,457
Output tax under-declared	£2,027,000,315
Partial exemption	£282,835,635
Patent Box	£89,652,368
Post return amendment	£26,497,037
Post transaction issue	£187,017,500
Pre Return Work	£25,492,619
PSA/dispensation	£38,247,504
Research and development claims	£410,986,837
Research and Development Expenditure Credit	£201,223,077
Refused repayments	£2,453,352,458
Registered trader	£2,652,759,206
Remuneration packaging	£803,266
Statutory allowances/reliefs	£88,150,532
Trading and Comps – receipts and deductions	£991,540,481
Transfer pricing and thin capitalisation	£5,958,393,070
Valuation	£82,917,072
Voluntary disclosure	£9,626,894
Workers from abroad	£28,388,653
Total	£29,870,113,383

The recorded location of the ultimate parent of each group of companies covered by the Large Business Directorate as at 31 March 2019 is shown below. We have taken ‘company’ as referring to a ‘business’ as recorded on the HMRC system – in most cases a ‘business’ will actually be a group of companies.

The table below shows the location of parent companies as at 31 March 2019.

Recorded location of the parent of the group	Tax under consideration (£bn)
UK	£20.0
Non-UK	£9.7
Associated with multiple customers with UK and non-UK parented businesses	£0.2

Length of time taken to resolve enquiries involving large businesses

At any given time, around half of the largest businesses are under enquiry, often covering multiple issues and years. We record our enquiries into tax issues as ‘risks’ and, if a single issue covers multiple years, we record this as a single risk.

Risks cover all taxes and duties, including Corporation Tax, VAT, PAYE and National Insurance Contributions. HMRC will be actively working to resolve open risks, and our statistics include those where this requires litigation. Risks are recorded as closed when the issue has been resolved. The stock of risks will continuously change as risks are concluded and new risks are identified and opened.

By engaging with businesses in ‘real-time,’ Customer Compliance Managers identify emerging tax risks and resolve tax disputes at the earliest opportunity.

Our stock of open risks is increasingly characterised by complex and novel areas of tax law, including instances where customers are challenging HMRC’s opinion of where legal boundaries lie, or which require litigation to conclude. These risks will typically take longer to resolve.

For enquiries that concluded during 2018-19, the average length of time taken to settle an enquiry was 15 months. In 2018-19, the Large Business Directorate reached decision point on risks within 18 months in 84.6% of cases.

Customer Compliance Managers

We manage the tax compliance of large businesses through Customer Compliance Managers (CCMs) because the tax at stake, their size and complexity and the significant risk these businesses present to the Exchequer, mean that this is the most cost-effective way of ensuring they pay the right amount of tax.

The number of CCMs working in the Large Business Directorate as at 31 March 2019 was 167.