HM Revenue & Customs

Jim Harra
Chief Executive and First Permanent Secretary

Meg Hillier MP
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House of Commons
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Dear Ms Hillier,

Tax reliefs statistics published by HMRC: ‘Bulletin: estimated cost of tax reliefs (October 2020)’

I am writing to draw your attention to the tax reliefs statistics publication HMRC published on 30 October which can be found online at: https://www.gov.uk/government/collections/tax-relief-statistics.

The Committee made a number of recommendations in their July 2020 report “Management of tax reliefs” to increase transparency and public understanding of the cost of tax reliefs. In particular, the Committee recommended that HMRC should:

- establish and publish the criteria it will use to determine which reliefs to evaluate.
- assess the groups and sectors benefiting from all significant reliefs and publicly report the results during 2021 and as part of its next annual statistical publication on tax reliefs due in October 2020.
- identify all significant cost variances within tax reliefs, and report the reasons for those variances, explaining whether variations in cost are proportionate to the impact of the relief.

As you will be aware, in September 2020 the Government agreed with these recommendations with further detail set out in the published Treasury Minute.

Our latest publication meets some of these commitments. The criteria that we will use to select reliefs for evaluation are included in this document. These include consideration of size, data availability and methodological feasibility, in addition to wider context around recent evaluations, changes to design and timeliness of results. The use of these criteria will support HMRC in evaluating tax reliefs in a more systematic way. It will also support HMT and HMRC in providing strategic, evidence-based policy advice to Ministers on tax reliefs.

Subject to Ministerial approval HMRC plans to start publishing results from these evaluations from late 2021 onwards.

For the first time, we have included a comparison of the cost of some reliefs against forecast and a set of new cost estimates for 25 non-structural tax reliefs where cost information was previously unavailable. We have further improved this publication by expanding the commentary on cost changes over time of the largest non-structural tax reliefs and making analysis of beneficiaries more accessible. HMRC plans to continue to add further cost estimates in the 2021 and 2022 publications.

These statistics draw on the latest available data to provide up-to-date estimates of the costs of tax reliefs. These new estimates will be used by HMRC officials to assess where further action may be needed to ensure reliefs are being managed effectively. Cost estimates can change for a variety of reasons including the economic context and changes in the underlying tax base, levels of awareness or policy design. Changes may also be an indicator of abuse. Abuse of tax reliefs is treated with the same rigour as any other abuse of the tax system. For example, HMRC is increasing resources deployed on Research and Development (R&D) tax reliefs compliance activity and undertaking extensive work to improve identification of instances of non-compliance.

These changes to our statistics advance our understanding of the impact of tax reliefs, support our advice to Ministers and increase public transparency.

Yours sincerely

JHarra

JIM HARRA
CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY