HM Revenue & Customs

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Harriett Baldwin MP
Chair of the Treasury Select Committee
House of Commons
Committee Office
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Dear Chair,

Following the Treasury Select Committee session on Wednesday 17 May 2023, I am writing to provide further information that we committed to send to the Committee.

HMRC stakeholder engagement

HMRC engages directly with a large number of organisations to help us meet the needs of our customers and respond to their concerns. Over the period, we have met with many organisations as part of our routine engagement at which tax reliefs may have been part of the discussion – but it is not possible to assure we have captured everything, as tax reliefs may have been discussed during activities focused on other topics. For completeness, we have provided the list of organisations we have met over the last 12 months which tax reliefs was a main area of focus in the attached annex.

According to our records, no hospitality has been received by our staff from groups, committees, or lobbyists met over the last 12 months

COVID-19 support scheme compliance activity

From the beginning we were clear that the schemes would be targets for fraud and that customers operating at pace and under pressure would make mistakes: that's why we designed the schemes in such a way as to minimise fraud and error while not unnecessarily delaying payments.

Post payment compliance activity for the Covid Jobs Retention Scheme, the Self-Employment Income Support Scheme and Eat Out To Help Out began in July 2020 once HMRC had been granted specific powers to do so. At Spring Budget 2021, the government announced a two-year investment of over £100 million in the Taxpayer Protection Taskforce (TPT) to combat fraud in the COVID-19 support schemes administered by HMRC.

Our pre-payment controls for the schemes have been even more effective than anticipated and we have not seen the levels of organised crime and criminal attacks originally expected. We have also not seen the level of overall fraud originally anticipated in estimates, and the majority of losses identified by our Taxpayer Protection Taskforce have been a result of error.

Since the start of the schemes and up to end March 2022, £762 million has been recovered in post payment compliance activity where there has been an overpayment of a grant as a result of error or fraud. This is in addition to the £425 million blocked before payments were made. More information on compliance activity in the COVID-19 support schemes in 2022-23 will be published in HMRC's Annual Report and Accounts 2022 to 2023.

When the TPT was announced, it was to be funded to the end of March 2023. In October 2022, we issued a briefing that set out our plans to transition COVID-19 compliance activity to business-as-usual compliance teams by the end of September 2023. Moving the work of the TPT into business-as-usual compliance activity is the most efficient way to ensure we deploy resources most effectively to protect and recover taxpayers' money.

Including amounts recovered through compliance work on the COVID-19 schemes before the taskforce was formed in April 2021, the amount HMRC expects to recover by September 2023 is £1.1 billion. We remain committed to tackling error and fraud in the COVID-19 support schemes where this is the most cost-effective use of resources, and we are not writing anything off.

Compliance Yield

The resource available for HMRC and our compliance work is agreed with ministers at Spending Reviews and Fiscal Events. The agreed level is shaped by economic factors and enables us to carry out the compliance activity required to maintain a stable tax gap over the medium term.

We decide how best to deploy our compliance resources against available risks in order to deliver the best outcomes for the health of the tax system. Any compliance risks that were identified but not addressed during the COVID period can still be acted on. We constantly assess the full range of risks that are present, both new and historical, when deciding how best to deploy our resources. In some instances, we will work newer, higher priority or higher value risks instead of acting on older risks. Our robust risking processes allows us to prioritise activity.

Overall yield performance is increasing from the levels we saw during the pandemic.

HMRC's 2022-23 compliance yield performance will be published in our Annual Report & Accounts in July.

AI usage in HMRC

HMRC has used advanced analytics and AI technologies like machine learning for at least a decade. These technologies allow us to use the data and information we have available in administering the tax system to understand the different risks we face in protecting the public purse, helping to identify where we may need to step in, and how we can improve our approach over time.

It is important to note that, although much of the process of bringing this data together is done by technology, we always have people monitoring the way these systems are working and our people are always involved in making the important decisions that affect our customers.

Creative Reliefs

Museums and Galleries Exhibition Tax Relief was originally introduced from 1 April 2017 with a sunset date of 31 March 2022. Following an external review of the relief, this date has been extended by later Finance Acts to 31 March 2024.

Temporary higher rates of Theatre, Orchestra, and Museums and Galleries tax relief were introduced by Finance Act 2022. The highest rates were initially intended to run for two years but have been recently extended at Budget 2023 until 31 March 2025.

The Audio-Visual Expenditure Credit and the Video Games Expenditure Credit were announced at Budget 2023 and will be introduced from 1 January 2024. They will replace the current Film, TV and Video Game reliefs and will ensure the UK's reliefs remain world-leading and best serve the needs of creative companies. The current reliefs will be claimable under the existing regime until 31 March 2027 when those reliefs will sunset.

Venture Capital Trusts (VCT) & Enterprise Investment Scheme (EIS)

We have provided further information on VCT, EIS and similar schemes in a letter sent to you on Thursday 25th May 2023.

Yours sincerely,

Jonathan Athow
DIRECTOR GENERAL CUSTOMER STRATEGY AND TAX DESIGN

Annex – HMRC Tax Reliefs Engagement over the last 12 months

HMRC Tax Reliefs Engagement over the last 12 months
Forums
Voluntary and Community Sector Organisations
Advice NI
Association of Disabled Professionals
British Dyslexia Association
Child Poverty Action Group
Citizens Advice Bureau
Communities NI
Community Accounting Plus
Equity
Gingerbread
Good Things Foundation
Low Income Tax Reform Group
Money Advice Trust
Partly Qualified/Newly Qualified Magazine
Royal Association for Deaf People
Refugee and Migrant Centre
RNIB
Taxaid
Tax Help for Older People
Professional Bodies
Association of Accounting Technicians
Association of Chartered Certified Accountants
Association of Independent Expatriate Tax Practitioners (AIETP)
Assoc of Independent Professionals and the Self Employed
Association of Tax Technicians
British Landlord Association
British Private Equity & Venture Capital Association
Business Recovery Professionals (R3)
Certified Public Accountants Association
Chartered Accountants Ireland
Chartered Institute of Management Accountants
Chartered Institute of Payroll Professionals (CIPP)
Chartered Institute of Taxation (CIOT)
Confederation of British Industry
FCA
Federation of Small Businesses

Freelancer and Contractor Services Association
Home of Multiple Occupancy Property Professionals
Institute of Certified Bookkeepers
Institute of Chartered Accountants in England & Wales (ICAEW)
Institute of Chartered Accountants Scotland
Institute of Financial Accountants
Law Society of England and Wales
Law Society of Scotland
National Farmers Union
National Hairdressers Federation
National Residential Landlords Association
Professional Association for Childcare and Early Years (PACEY)
Scottish Landlord Association
STEP
Society of Professional Accountants
Tax Disciplinary Board
The Association of Corporate Trustees
The Payroll Centre
Tourism Alliance (TA)
VAT Practitioners Group
Agents
Acclivity Advisors
Allen & Overy
AJ Bell
Armstrong Watson
Azets
Baccma Consultancy
BCL
BDO
Beans Accountants
Black Mountain
Central Employee Services
Country Land and Business Association
CRONER-I
Crowe UK
Deloitte UK
Disability Dynamics
Ernst & Young (EY)
Estates Business Group
Evelyn Partners

Grant Thornton
Hydrock
KPMG
LawSkills Ltd
Linklaters
Macfarlanes LLP
Mashrooms
Mazars
Money and Mental Health Policy Institute
Pagefield (Communications Consultants)
Pinsent Masons
Practical Law Tax
Prudential
PwC
Rebecca Benneyworth & Co and Rebecca Benneyworth Training
Retired from A C Mole & Sons 2020
RPC
Roger Southam (Consultancy)
RSM
Saffery Champness
Scottish Enterprise
Ty Hei Cyf Ltd
Software Developers
Absolute Tax
Business Application Software Developers Association (BASDA)
British Computer Society (BCS)
Intuit
Inland Revenue Electronic Exchange Network
Iris
Lexis Nexis
Untied
Xero
Other Government Departments
Bury Metropolitan Borough Council
DWP
Essex County Council
NHS ESR Central Team
Northumbria Healthcare NHS Foundation Trust (NHCT)
Revenue Scotland
Office for Tax Simplification (OTS)

Valuation Office Agency (VOA)
Employers
DHL
Jaguar Land Rover
LAING O'ROURKE
Lloyds Banking Group
MHR
Shell International Limited
Tesco
Fiscal Events
Business
The 100 Group
British Chambers of Commerce (BCC)
Confederation of British Industry (CBI)
Chartered Institute of Payroll Professionals (CIPP)
Federation of Small Businesses (FSB)
Professional Bodies
Association of Accounting Technicians (AAT)
Association of Chartered Certified Accountants (ACCA)
Association of Taxation Technicians (ATT)
Chartered Institute of Taxation (CIOT)
Institute of Chartered Accountants of Scotland (ICAS)
Institute of Chartered Accountants of England and Wales (ICAEW)
Agents
EY
KPMG
PwC
Voluntary and Community Sector Organisations
Low Income Tax Reform Group