

Harriett Baldwin MP
Chair of the Treasury Select Committee
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Dear Harriett,

HMRC ANNUAL REPORT AND ACCOUNTS

Following the Treasury Select Committee session on Wednesday 18 October 2023, attended by Angela MacDonald, Dame Jayne-Anne Gadhia, and myself, I am writing to provide answers to questions in your follow up letter dated 20 October, and corrections to oral evidence.

Disguised remuneration tax avoidance and the Loan Charge – cases settled

To the end of March 2023, the total number of disguised remuneration settlements since Budget 2016 was 21,900 bringing £3.9bn into charge. This is an increase of 1,700 settlements and £0.5bn yield since the last calculation, which covered the period to March 2022.

These increases are made up of a combination of new settlements and an uplift in previous years' settlements. Our reporting and estimates are continuously revised as more information becomes available and final settlements are agreed. Cases from previous years may be newly identified to be disguised remuneration. Consequently, figures for each year will be subject to change.

The smallest settlement since Budget 2016 is less than £100 and the largest is not more than £30m. These figures relate to both individuals and employers, who may be responsible for the PAYE of a number of employees, and the largest figure is that of an employer. We cannot provide the exact figures as these could potentially be linked to identifiable customers, which would be a breach of our duty of confidentiality.

Disguised remuneration tax avoidance and the Loan charge – customers needing extra support

HMRC identifies customers who need extra support by their individual needs or personal circumstances rather than the reasons for HMRC contact. We do not hold this information identifying customers needing extra support who have liabilities in respect of disguised remuneration tax avoidance or are subject to the Loan Charge.

The extra support available to taxpayers from HMRC can cover a range of circumstances including, for example, difficulties caused by their confidence, access, emotional state, mental health, capability, difficulties in understanding what they need to do, and disability.

Costs of Making Tax Digital for Income Tax Self Assessment

The forecast cost of delivering the current scope of Making Tax Digital for Income Tax Self Assessment, inclusive of five-years of running costs, is £751.5m, generating a positive return on investment (RoI) of 2.3:1. This is predicated on an investment appraisal period covering five years to 2027-28 as well as sunk costs from 2016-17 to 2022-23, and five years of benefits for each phase of implementation, taking us to 2033-34. The wider Making Tax Digital programme, including VAT (implemented in 2019) and Penalty Reform, is currently showing an RoI of 3:1. RoI over 2:1 is deemed “high value” based on official Cabinet Office guidance.

Number of people joining the tax system in 2023 to 2024 and 2024 to 2025

In their [March 2023 Economic and Fiscal Outlook](#), the Office for Budget Responsibility (OBR) set out the number of individuals in Income Tax between 2022 to 23 and 2027 to 28. The OBR forecast the number of taxpayers would increase by 1.2 million to 35.8 million in 2023 to 2024, from 34.6 million in 2022 to 2023. The OBR forecast a further increase to a total of 36.5 million in 2024 to 2025.

Number of people joining the tax system in 2023 to 2024 and 2024 to 2025 with complex tax affairs

The majority of the taxpayers dealing with complex tax affairs will likely already be in the tax system, rather than newly joining the tax system. HMRC does not have an aggregate figure of the total number of taxpayers facing greater complexity in their tax affairs.

Estimated cost for HMRC to serve those additional taxpayers and HMT funding

HMRC discusses funding needs with HM Treasury in the round as part of periodic Spending Reviews and the annual Estimates cycle. The Department aims to absorb the additional costs arising from growth in the number of taxpayers interacting with the tax system, wherever possible, through making efficiencies, such as our work to reduce customer contact demand and maximise digital self-service.

COVID-19 Support Schemes Compliance Results

Finally, I would like to clarify a statistic I quoted in response to Q280 and Q282 regarding how much had been recovered from error and fraud in the Covid-19 schemes administered by HMRC up to the end of September 2023. I can now confirm that, up to the end of September 2023 HMRC has recovered overpayments of £1.2bn from the COVID-19 grants.

Additionally, a further £430m was prevented from being paid out on fraudulent claims. In total, HMRC's compliance effort on the COVID-19 support schemes has prevented the payment of, and recovered the overpayment of, over £1.6 billion worth of grants with compliance activity continuing.

Yours sincerely,



Jim Harra

CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY