



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Lord Leigh of Hurley
Chair of the Economic Affairs Finance Bill Sub-Committee
House of Lords
London
SW1A 0AA

12 December 2023

Dear Lord Leigh,

Following my previous letter dated 7 December, which addressed outstanding matters from my appearance in front of the Sub-Committee, please see below my response on your follow up questions.

Allocation of the marketing budget

The £20,000 budget is solely allocated for R&D and is not part of a combined allocation for other HMRC communications campaigns marketing.

Promotion of the Advanced Assurance scheme

HMRC will continue to promote Advanced Assurance to eligible SMEs in merged and intensive schemes.

Currently, an eligible SME for the purposes of Advanced Assurance is a company that has a turnover of below £2 million and less than 50 employees. Advanced Assurance only applies for their first R&D claim, so they need to be planning to carry out R&D, or if they have already carried out R&D, have not yet claimed for the relief. If they are part of a group, they can only apply for Advanced Assurance if none of the companies they are linked to in the group have previously claimed R&D tax relief.

Total cost figures of the new R&D schemes

The total costs of R&D tax relief, which includes the merged and intensive schemes in future years, is presented in the table below. These are derived by adding the various measure exchequer impacts to the pre-measures forecast baseline. As such a breakdown of the total relief figures by type of R&D scheme is not readily available but is in the process of being produced.



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	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Total cost of R&D tax credits (£ bn)	7.9	8.2	8.2	8.4	8.7	8.8

Safeguards for the new criminal offence for failure to comply with a stop notice

There are a number of safeguards built into the process for issuing a stop notice. Details of these are set out in the slide annexed to this letter. HMRC intend to incorporate this detail into their existing guidance on stop notices that is published on gov.uk.

Where HMRC suspects an offence has been committed, criminal investigation is considered in line with [HMRC's criminal investigation policy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/hmrcs-criminal-investigation-policy). HMRC reserves criminal investigation for the most serious cases, where there is a need to send a strong deterrent message or where civil investigations may prove ineffective. Any criminal investigation using the new power would be subject to existing governance and oversight for criminal investigations as set out in [HMRC's criminal investigation powers and safeguards - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/hmrcs-criminal-investigation-powers-and-safeguards).

Yours ever,

Nigel Huddleston MP

FINANCIAL SECRETARY TO THE TREASURY

Typical Journey for a Stop Notice

HMRC case workers identify avoidance arrangements suspected of meeting the Stop Notice (SN) conditions and investigate to build evidence



A HMRC senior operational team leader considers the matter and agrees the SN conditions have been met



The evidence then goes to technical specialists who review and decide if the SN conditions have been met



The evidence is presented to the Authorised Officer (AO) who is a Senior Civil Servant outside of the Counter-Avoidance Directorate



The AO decides, based on the evidence, whether the scheme meets the conditions for a Stop Notice. If so, they issue an SN



The promoter requests that the SN cease having effect and provides supporting justification. The AO must respond within 45 days or the SN automatically ceases to have effect



If the AO refuses this request, the promoter has the right to appeal the refusal, which is heard by the tribunal. The SN remains in force in the meantime.



If the promoter appeals, they may also request of the AO that the stop notice ceases to have effect on them until the appeal has been determined