HM Revenue and Customs

Introduction

1. This Supplementary Estimate is required for the following purposes:

RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements

Increases:

Take up of resource near cash end of year flexibility entitlement

1. £50,000,000 administration costs, and
£100,000,000 in capital

Transfers from other government departments

1. Transfer from Home Office from their Recovered Assets Incentivisation Fund
£3,120,000 programme expenditure

2. Transfer from the Department for Education and Skills for the Savings Gateway project
£863,000 programme costs

Transfers from non-voted spending

1. Draw down of Departmental Unallocated Provisions of £51,600,000 in administration costs

Other Increases:

1. Increase of £28,000,000, to reflect revisions to AME costs.

Decreases:

Transfers to other government departments

1. Transfer

Transfer to the Home Office in support of anti-terrorism work.
£1,454,000 programme costs

2. Machinery of Government change
Transfer to the Revenue and Customs Prosecution Office
£2,280,000, administration costs, and
£50,000 Capital

RfR 2: Growing a contribution to the good management of property where the public interest is involved

Increases:

Other Increases

1. Intra departmental transfer from RfR 1 to RfR 2 of £7,021,000 capital.

2. As a result of these changes there is an increase in the net cash requirement of £229,946,000.

3. Symbols are explained in the Introduction to this booklet.

Part I

		£
RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements	†	**129,849,000**
Total additional net resource requirement		129,849,000
Additional net cash requirement		**229,946,000**

SUPPLEMENTARY amounts required in the year ending 31 March 2006 for expenditure by HM Revenue and Customs on:

RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements
administration and the associated non-cash items incurred in the management, collection of direct and indirect taxes, duties and levies, Shipbuilders' Relief, new tax credits, National Insurance Contributions, Child Benefit and the Child Trust Fund, Lorry Road User Charge, Money Laundering regulatory regime, the National Insurance Funds for Great Britain and Northern Ireland; the operation of customs controls including prohibitions and restrictions; the provision of trade information; the provision of Capital Grants for Excise Tax Stamps; the provision of resources to independent investigatory bodies (including the HMIC, IPCC and the police authorities) to facilitate the independent inspection of professional standards within the Department, the investigation of allegations of mis-conduct or criminal activities by Departmental staff and fulfilment of reciprocal complaints investigation arrangements with police authorities; the provision of incentive payments for e-filing; payments in respect of Customs National Museum; and for services provided to the department's information technology and wider markets' partners, other departments and public bodies, including assistance with investigations into the terrorist incidents, and overseas tax administrations.

RfR 2: Growing a contribution to the good management of property where the public interest is involved
administration and the associated non-cash incurred in the provision of valuation and other services for government departments and other public bodies by the Valuation Office Agency.

RfR 3: Providing payments in lieu of tax relief to certain bodies
transitional payments to charities, supplements on payroll giving, donations to charities and on personal and stakeholder pension schemes, life assurance premium relief, stamp duty relief and residual payments for mortgage interest relief, vocational training relief and private medical insurance.

RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies
rates paid by HM Revenue and Customs Department in respect of non-domestic property occupied by accredited representatives of Commonwealth and foreign countries and certain international organisations, contributions in lieu of rates in respect of properties occupied by the Crown in Gibraltar and other similar payments.

RfR 5: Payments of Child Benefit and Child Trust Fund endowments
payments of Child Benefit, Child Trust funds and the associated non-cash items.

The **HM Revenue and Customs** will account for this Estimate.

† HM Revenue and Customs was created in April 2005, together with the Revenue and Customs Prosecutions Office. Together they replaced HM Customs and Excise and the Inland Revenue. Further changes relating to this machinery of government transfer are: i) the net resource requirement for RfR1 is decreased by £ 2,280,000, including a reduction of £ 37,000 in operating appropriations in aid ; and ii) the net cash requirement is decreased by £ 2,183,000.

Part II: Changes proposed

£'000

Resources		Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	New Net Provision
RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements						
Spending in Departmental Expenditure Limits (DEL)						
RfR 1 - A	Administration	4,198,790	101,812	-37	101,849	4,300,639
Spending in Annually Managed Expenditure (AME)						
RfR 1 - B	e-filing incentive payments	200,000	28,000	-	28,000	228,000
	Total RfR 1		**129,812**	**-37**	**129,849**	
	Total Changes to RfRs		**129,812**	**-37**	**129,849**	

£000

Capital and Cash	Present Provision	Change in Provision	New Provision
Total Capital Expenditure	274,899	99,950	374,849
Non-Operating A in A	3,980	-	3,980
Net cash requirement	**15,257,803**	**229,946**	**15,487,749**

Part II: Revised subhead detail including additional provision

	Resources						Capital	£'000
	1	2	3	4	5	6	7	8
	Admin	Other current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A
RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements								
	4,571,970	**161,676**	**231,435**	**4,965,081**	**436,441**	**4,528,640**	**358,657**	**3,818**
Spending in Departmental Expenditure Limits (DEL)								
Central Government spending								
A Administration								
	4,571,970	158,176	3,435	4,733,581	432,942	4,300,639	358,657	3,818
Spending in Annually Managed Expenditure (AME)								
Central Government spending								
B e-filing incentive payments								
	-	-	228,000	228,000	-	228,000	-	-
Non-budget								
C Operational local clearance problems								
	-	3,500	-	3,500	3,499	1	-	-
RfR 2: Growing a contribution to the good management of property where the public interest is involved								
	239,257	**-**	**-**	**239,257**	**239,256**	**1**	**16,192**	**162**
Spending in Departmental Expenditure Limits (DEL)								
Central Government spending								
A Administration								
	239,257	-	-	239,257	239,256	1	16,192	162
RfR 3: Providing payments in lieu of tax relief to certain bodies								
	-	**-**	90,000	**90,000**	**-**	**90,000**	**-**	**-**
Spending in Departmental Expenditure Limits (DEL)								
Central Government spending								
A Payments in lieu of tax relief								
	-	-	90,000	90,000	-	90,000	-	-
RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies								
	-	**39,579**	**-**	**39,579**	**4,161**	**35,418**	**-**	**-**
Spending in Annually Managed Expenditure (AME)								
Central Government spending								
A Payments of Local Authority rates								
	-	39,579	-	39,579	4,161	35,418	-	-
RfR 5: Payments of Child Benefit and Child Trust Fund endowments								
	-	**-**	**10,078,462**	**10,078,462**	**-**	**10,078,462**	**-**	**-**
Spending in Annually Managed Expenditure (AME)								
Central Government spending								
A Children's benefits								
	-	-	9,838,462	9,838,462	-	9,838,462	-	-
B Child Trust Fund Endowments								
	-	-	240,000	240,000	-	240,000	-	-
Total for Estimate:								
	4,811,227	**201,255**	**10,399,897**	**15,412,379**	**679,858**	**14,732,521**	**374,849**	**3,980**

Part II: Resource to cash reconciliation

£'000

		Present		Increase (+)/ Decrease (-)		Revised
Net total Resources		**14,602,672**		**129,849**		**14,732,521**
Voted capital items						
Capital expenditure	274,899		99,950		374,849	
Less: non-operating A in A	3,980		-		3,980	
Total net voted capital		**270,919**		**99,950**		**370,869**
Accruals to cash adjustment						
Adjustments to remove non-cash items:						
Cost of Capital charges	-25,362		-		-25,362	
Depreciation	-164,284		147		-164,137	
New provisions and adjustments to previous provisions	-36,800		-		-36,800	
Profit/loss on sale of assets	-		-		-	
Prior period adjustments	-		-		-	
Other non-cash items	-520		-		-520	
Increase(+)/decrease (-) in stock	-400		-		-400	
Increase(+)/decrease (-) in debtors	35,006		-		35,006	
Increase(-)/decrease (+) in creditors	-70,861		-		-70,861	
Use of provisions	647,433		-		647,433	
Total accruals to cash adjustments		**384,212**		**147**		**384,359**
Excess cash to be CFERd		**-**		**-**		**-**
Net cash requirement		**15,257,803**		**229,946**		**15,487,749**

Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

Forecast Operating Cost Statement

		£'000 2005-06 provision
Net Administration Costs		
RfR 1	4,504,386	
RfR 2	1	
RfR 3	-	
RfR 4	-	
RfR 5	-	
Total Net Administration Costs		**4,504,387**
Net Programme Costs		
RfR 1	24,254	
RfR 2	-	
RfR 3	90,000	
RfR 4	35,418	
RfR 5	10,078,462	
Total Net Programme costs		**10,228,134**
Total Net Operating Cost		**14,732,521**
of which:		
Net Resource Outturn		**14,732,521**
CFERs		-
Non-voted expenditure		-
Resource Budget Outturn		**27,954,008**

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000 2005-06 Provision
Net Resource Outturn (Estimates)	**14,732,521**
Adjustments to remove:	
provision voted for earlier years	-
Adjustments to additionally include:	
non-voted expenditure in the OCS	-
Consolidated Fund extra receipts (CFERS) in the OCS	-
Other adjustments	-
Net Operating Costs (Accounts)	**14,732,521**
Adjustments to remove:	
capital grants to local authorities	-
capital grants financed from the Capital Modernisation Fund	-
European Union income and related adjustments	-
voted expenditure outside the budget	-1
Adjustments to additionally include:	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	-
unallocated resource provision	18,901
Other adjustments	13,202,587
Resource Budget Outturn (Budget)	**27,954,008**
of which:	
Departmental Expenditure Limit (DEL)	4,660,125
Annually Managed Expenditure (AME)	23,293,883

Reconciliation of capital expenditure between Estimates and Budgets

	£'000 2005-06 Provision
Net Voted Capital Outturn (Estimates)	**370,869**
Adjustments to remove:	
gains/losses from sale of capital assets	-
Adjustments to additionally include:	
other Consolidated Fund Extra Receipts	-
capital spending by non departmental public bodies	-
capital grants to local authorities	-
capital grants financed by the Capital Modernisation Fund	-
local authority credit approvals	-
capital spending by levy funded bodies	-
unallocated capital provision	2,977
Other adjustments	-
Capital Budget Outturn (Budget)	**373,846**
of which:	
Departmental Expenditure Limits (DEL)	373,846
Annually Managed Expenditure (AME)	-

Notes to the Estimate *(continued)*

Explanation of Accounting Officer responsibilities

In accordance with the Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointments for the Requests for Resources within this Estimate.

Request for Resources 1	Paul Gray, Deputy Chairman of HM Revenue and Customs and Additional Accounting Officer
Request for Resources 2	Andrew Hudson, Chief Executive of the Valuation Office Agency and Additional Accounting Officer
Request for Resources 3	David Hartnett, Director General Policy and Additional Accounting Officer
Request for Resources 4	Andrew Hudson, Chief Executive of the Valuation Office Agency and Additional Accounting Officer
Request for Resources 5	Paul Gray, Deputy Chairman of HM Revenue and Customs and Additional Accounting Officer

David Varney as the Principal Accounting Officer (PAO) of HM Revenue and Customs has personal responsibilty for the proper presentation of HM Revenue and Customs' resource accounts as prescribed in legislation or by the Treasury and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, in addition to the responsibilities for an assigned RfR, remains in general overall charge of HM Revenue and Customs

The responsibilities of an Accounting Officer are set out in Annex 4.1 of Government Accounting. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for the keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of HM Revenue and Customs' policies, aims, and objectives; and should regularly review the effectiveness of that system.

In accordance with Government Accounting requirements the relationship between Principal Accounting Officer and Additional Accounting Officers with their Ministers, together with their respective responsibilites, is set out in writing.

Notes to the Estimate *(continued)*

Analysis of appropriations in aid (A in A)

£'000

	2005-06 Provision	
	Operating A in A	Non operating A in A
RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements		
Recovery of costs of collecting NICs	354,929	-
Receipts from sale of assets	-	3,818
Receipts from certain tax penalties	15,000	-
Receipts from VOA, other government departments and other bodies	19,492	-
Other miscellaneous receipts	17,316	-
Income from charges for special attendance	940	-
Income from recovery of costs and expenses	8,230	-
Income from international commitment charges	2,343	-
Income from the sale of certificates and statistical services	326	-
Income from Estate Management services	6,955	-
Income from Shipbuilders' relief	3,517	-
Local clearance procedure receipts	3,499	-
Fees from money laundering regulatory regime	3,894	-
Total RfR 1	**436,441 ***	**3,818 ** **

* Amount that may be applied as appropriations in aid in addition to the net total arising from: the recovery of law costs; recovery of costs of administering the National Insurance Funds and collection of National Insurance contributions; subsidies for New Deal jobseekers employed; receipts for services provided to the Valuation Office Agency, government departments and other bodies; recovery of costs of seconded and loan staff; charges for the special attendance of officers; and for international commitments; receipts from the sale

of publications; from the sale of statistical services and certificates; and from estate management services, including rent receipts from other government departments and private tenants; receipts from the use of certain official cars; receipts from certain tax penalties; Lorry Road User charge development receipts, EC travelling expenses and receipts from the EC; receipts in respect of Shipbuilders' Relief and local clearance procedures under Single European Authorisations; receipts from insurance and compensation claims; and marine fuel relief, fees received for the money laundering regulatory regime; recoveries of overpayments in prior years; excess cash receipts; and other miscellaneous administration and programme cost receipts.

** Amount that may be applied as non-operating appropriations in aid arising from the recovery of income from the sale of fixed assets and from the sale of land and buildings.

RfR 2: Growing a contribution to the good management of property where the public interest is involved		
Recovery of costs of rating and valuation services	239,256	-
Receipts from sale of assets	-	162
Total RfR 2	**239,256 ***	**162 ** **

*Amount that may be applied as appropriations in aid in addition to the net total arising from: the recovery of costs of valuation and other services; receipts from the sue of certain official cars; receipts from the sale information and publications; recovery of law costs; rent receipts from other government departments and private tenants; other administration costs receipts.

**Amount that may be applied as non-operating appropriations in aid arising from: the recovery of income from the sale of assets.

RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies		
Repayments by Commonwealth and foreign countries and international organisations	4,161	-
Total RfR 4	**4,161 ***	**-**

*Amount that may be applied as appropriations in aid in addition to the net total arising from: payment of rates by accredited Commonwealth and foreign countries and certain international organisations; refunds from local authorities and Ministry of Defence property in Gibraltar.

Total A in A	**679,858**	**3,980**
of which: Administration budgets	*68,084*	-

Departmental Expenditure Limits and Administration Budgets

As announced by the Chancellor of the Exchequer to the House of Commons, HM Revenue and Customs' Departmental Expenditure Limit will change as follows:

		New DEL		£'000
	Change	**Voted**	**Non-voted**	**Total**
Resource	50,249	4,300,640	359,485	4,660,125
of which :Administration Budget	*47,720*	*4,504,387*	*18,901*	*4,523,288*
Capital	99,950	370,869	2,977	373,846
Depreciation*	147	-164,137	-	-164,137
Total	150,346	4,507,372	362,462	4,869,834

**Depreciation, which forms part of resource DEL, is excluded from total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.*

Cash which may be retained to offset expenditure

	£'000
Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid	683,838

Expenditure resting on the sole authority of the Appropriation Act

The following subheads contain provision sought under the sole authority of Part I of the Estimate and of the confirming Appropriation Act:

Subhead	Service		£'000
A2	The provision of Capital Grants for Tax Stamps	■	3,000