

# HM Revenue and Customs

## Introduction

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

Amount £

### Changes in resources

**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:**

	<u>Take up of resource near cash end year flexibility entitlement</u>	
1.	Subhead A1 £90,000,000 administration costs, as announced in the 2005-06 Public Expenditure Outturn White Paper (Cm 6883)	90,000,000
	<u>Transfers from other government departments</u>	
1.	Subhead A2 Programme expenditure from the Cabinet Office in respect of Parliamentary Counsel Office funding	1,742,000
	<u>Transfers to other government departments</u>	
	Subhead A5 A Machinery of Government change to the Home Office in respect of Serious Organised Crime Agency funding. Administration near cash	279,000

#### **Decreases:**

	<u>Transfers to other government departments</u>	
1.	Subheads A1 and A2. A Machinery of Government change to the Home Office in respect of Serious Organised Crime Agency funding amounting to £72,342,000 in near cash administration costs; £8,050,000 in non-cash administration costs; and £7,012,000 in programme expenditure	-87,404,000

#### **Neutral Changes:**

	<u>Increased expenditure offset by income</u>	
1.	Subheads A2 and A5 To increase the levels of Programme expenditure and income by £2,500,000 resulting from additional receipts from the Recovered Assets Incentivisation Fund	-
	<b>Total change in resources for RfR1</b>	<b>4,617,000</b>

### Changes in capital

**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:**

	<u>Take up of Capital end year flexibility entitlement</u>	
1.	Subhead A7 £ 30,590,000 as announced in the 2005-06 Public Expenditure Outturn White Paper (Cm 6883)	30,590,000

**Decreases:**Transfers to other government departments

- |    |  |            |
|----|--|------------|
| 1. | Subhead A7   | -6,897,000 |
|    | A Machinery of Government transfer to the Home Office in respect of SOCA funding amounting to £6,897,000 |            |

**RfR 2: Growing a contribution to the good management of property where the public interest is involved****Increases:**Take up of Capital end year flexibility entitlement

- |    |  |           |
|----|--|-----------|
| 1. | Subhead A7   | 3,829,000 |
|    | £ 3,829,000 as announced in the 2005-06 Public Expenditure Outturn White Paper (Cm 6883) |           |

<b>Total change in capital for Estimate</b>	<b>27,522,000</b>
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2. As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £9,543,000
3. Symbols are explained in the Introduction to this booklet.

**Part I**

£

<b>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</b>	†	<b>4,617,000</b>
Total additional net resource requirement		4,617,000
<b>Additional net cash requirement</b>	†	<b>9,543,000</b>

SUPPLEMENTARY amounts required in the year ending 31 March 2007 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 and collection of the direct and indirect taxes, duties and levies, Shipbuilders' Relief, new tax credits, National Insurance Contributions, Child Benefit and the Child Trust Fund, Money Laundering regulatory regime, the National Insurance Funds for Great Britain and Northern Ireland; OPG and government banking services; the operation of customs controls including prohibitions and restrictions; the provision of trade information; residual costs in respect of the Lorry Road User charging scheme; 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 the Customs National Museum; air travel carbon-offsetting; and for services provided to the department's information technology and wider markets' partners, other departments and public bodies including any assistance with investigations into terrorist incidents, and overseas tax administration.

**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; and associated non-cash items.

**RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies**

rates paid by Her Majesty's Revenue and Customs 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; and associated non-cash items.

## **Part I (*continued*)**

### **RfR 5: Payments of Child Benefit and Child Trust Fund endowments**

payments of Child Benefit, Child Trust Funds and associated non-cash items.

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

† The Serious Organised Crime Agency (SOCA) was transferred to the Home Office on 1 April 2006. Within the overall changes sought in this Estimate, the specific changes relating to this machinery of government transfer are:

- a) the net resource requirement is reduced by £ 87,125,000; and
- b) operating appropriations in aid are reduced by £ 279,000;
- c) capital expenditure is reduced by £ 6,897,000; and
- d) the net cash requirement is reduced by £ 85,972,000.

## Part II: Changes proposed

Resources	Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	£'000 New Net Provision
<b>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</b>					
<b>Spending in Departmental Expenditure Limits (DEL)</b>					
<i>Central Government spending</i>					
RfR 1 - A Administration	4,122,284	6,838	2,221	4,617	4,126,901
<b>Total RfR 1</b>		<b>6,838</b>	<b>2,221</b>	<b>4,617</b>	
<b>Total Changes to RfRs</b>		<b>6,838</b>	<b>2,221</b>	<b>4,617</b>	

	Present Provision	Change in Provision	£000 New Provision
<b>Capital and Cash</b>			
Total Capital Expenditure	280,137	27,522	307,659
Non-Operating A in A	3,980	-	3,980
<b>Net cash requirement</b>	<b>15,005,503</b>	<b>9,543</b>	<b>15,015,046</b>

**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	
<b>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</b>								
4,499,530	68,519	325,435	4,893,484	441,582	4,451,902	294,659	3,818	
<b>Spending in Departmental Expenditure Limits (DEL)</b>								
<i>Central Government spending</i>								
A Administration								
4,499,530	65,019	435	4,564,984	438,083	4,126,901	294,659	3,818	
<b>Spending in Annually Managed Expenditure (AME)</b>								
<i>Central Government spending</i>								
B e-filing incentive payments								
-	-	325,000	325,000	-	325,000	-	-	
<b>Non-budget</b>								
C Operational local clearance procedures								
-	3,500	-	3,500	3,499	1	-	-	
<b>RfR 2: Growing a contribution to the good management of property where the public interest is involved</b>								
223,101	-	-	223,101	223,100	1	13,000	162	
<b>Spending in Departmental Expenditure Limits (DEL)</b>								
<i>Central Government spending</i>								
A Administration								
223,101	-	-	223,101	223,100	1	13,000	162	
<b>RfR 3: Providing payments in lieu of tax relief to certain bodies</b>								
-	-	78,000	78,000	-	78,000	-	-	
<b>Spending in Annually Managed Expenditure (AME)</b>								
<i>Central Government spending</i>								
A Payments in lieu of tax relief								
-	-	78,000	78,000	-	78,000	-	-	
<b>RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies</b>								
-	41,074	-	41,074	4,203	36,871	-	-	
<b>Spending in Annually Managed Expenditure (AME)</b>								
<i>Central Government spending</i>								
A Payments of Local Authority rates								
-	41,074	-	41,074	4,203	36,871	-	-	
<b>RfR 5: Payments of Child Benefit and Child Trust Fund endowments</b>								
-	-9,574	10,401,036	10,391,462	-	10,391,462	-	-	
<b>Spending in Annually Managed Expenditure (AME)</b>								
<i>Central Government spending</i>								
A Children's Benefits								
-	-9,574	10,161,036	10,151,462	-	10,151,462	-	-	
B Child Trust Fund endowments								
-	-	240,000	240,000	-	240,000	-	-	
<b>Total for Estimate:</b>								
4,722,631	100,019	10,804,471	15,627,121	668,885	14,958,236	307,659	3,980	

## Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	<u>£'000</u> <u>Revised</u>
<b>Net Resource Requirement</b>	<b>14,953,619</b>	<b>4,617</b>	<b>14,958,236</b>
<b>Voted capital items</b>			
Capital	280,137	27,522	307,659
<i>Less:</i> Non-operating A in A	<u>3,980</u>	<u>-</u>	<u>3,980</u>
<b>Total net voted capital</b>	<b>276,157</b>	<b>27,522</b>	<b>303,679</b>
<b>Accruals to cash adjustment</b>			
Adjustments to remove non-cash items:			
Cost of Capital charges	-9,046	850	-8,196
Depreciation	-196,333	7,200	-189,133
New provisions and adjustments to previous provisions	-60,915	-	-60,915
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-520	-	-520
Increase(+)/decrease (-) in stock	-500	-	-500
Increase(+)/decrease (-) in debtors	34,530	-48,258	-13,728
Increase(-)/decrease (+) in creditors	-1,819	-16,058	-17,877
Use of provisions	<u>10,330</u>	<u>33,670</u>	<u>44,000</u>
<b>Total accruals to cash adjustments</b>	<b>-224,273</b>	<b>-22,596</b>	<b>-246,869</b>
<b>Excess cash to be CFERd</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cash Requirement</b>	<b>15,005,503</b>	<b>9,543</b>	<b>15,015,046</b>

## Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

## Forecast Operating Cost Statement

	£'000
	2006-07 provision
<b>Net Administration Costs</b>	
RfR1	4,432,188
RfR2	1
RfR3	-
RfR4	-
RfR5	-
<b>Total Net Administration Costs</b>	<b>4,432,189</b>
<b>Net Programme Costs</b>	
RfR1	19,714
RfR2	-
RfR3	78,000
RfR4	36,871
RfR5	10,391,462
Non-voted	-
<b>Total Net Programme costs</b>	<b>10,526,047</b>
<b>Total Net Operating Cost</b>	<b>14,958,236</b>
<i>of which:</i>	
<b>Net Resource Requirement</b>	<b>14,958,236</b>
Non-voted expenditure	-
Consolidated Fund Extra Receipts	-
<b>Resource Budget</b>	<b>29,429,842</b>

## Notes to the Estimate

### Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2006-07 Provision
<b>Net Resource Requirement (Estimates)</b>	<b>14,958,236</b>
<i>Adjustments to remove:</i>	
provision voted for earlier years	-
<i>Adjustments to additionally include:</i>	
non-voted expenditure in the OCS	-
Consolidated Fund extra receipts in the OCS	-
Other adjustments	-
<b>Net Operating Costs (Accounts)</b>	<b>14,958,236</b>
<i>Adjustments to remove:</i>	
capital grants	-240,000
European Union income related to capital grants	-
voted expenditure outside the budget	-1
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	-
unallocated resource provision	60,074
Other adjustments	14,651,533
<b>Resource Budget (Budget)</b>	<b>29,429,842</b>
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	4,551,506
Annually Managed Expenditure (AME)	24,878,336

### Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2006-07 Provision
<b>Net Voted Capital (Estimates)</b>	<b>303,679</b>
<i>Adjustments to remove:</i>	
gains/losses from sale of capital assets	-
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
capital spending by non departmental public bodies	-
capital grants	240,000
European Union income related to capital grants	-
supported capital expenditure (revenue)	-
capital spending by levy funded bodies	-
unallocated capital provision	3,739
Other adjustments	-
<b>Capital Budget (Budget)</b>	<b>547,418</b>
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	307,418
Annually Managed Expenditure (AME)	240,000

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## 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.

<b>Request for Resources 1</b>	Mike Eland, Director General, HM Revenue and Customs
<b>Request for Resources 2</b>	Andrew Hudson, Chief Executive of the Valuation Office Agency
<b>Request for Resources 3</b>	David Hartnett, Director General, HM Revenue and Customs
<b>Request for Resources 4</b>	Andrew Hudson, Chief Executive of the Valuation Office Agency
<b>Request for Resources 5</b>	Mike Eland, Director General, HM Revenue and Customs

Paul Gray as the Principal Accounting Officer of HM Revenue and Customs has personal responsibility for the proper presentation of the department's 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, 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 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 the available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the organisation's policies, aims, and objectives and should regularly review the effectiveness of that system.

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

## Notes to the Estimate (*continued*)

### Analysis of operating appropriations in aid (A in A)

	£'000
	2006-07 Provision
<b>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</b>	
<b>Administration</b>	<b>67,342</b>
<i>of which:</i>	
Sale of goods and services	48,583
Regulatory licences, fines, penalties and taxes	18,759
<b>Programme</b>	<b>374,240</b>
<i>of which:</i>	
Sale of goods and services	374,105
Regulatory licences, fines, penalties and taxes	135
<b>Total RfR1</b>	<b>441,582 †</b>
† Amount that may be applied as operating 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 in respect of the Aggregates levy and 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; 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; receipts from the Asset Recovery Incentivisation Fund; 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.	
<b>RfR 2: Growing a contribution to the good management of property where the public interest is involved</b>	
<b>Administration</b>	<b>223,100</b>
<i>of which:</i>	
Sale of goods and services	223,100
<b>Total RfR2</b>	<b>223,100 †</b>
† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: the recovery of costs of valuation and other services; receipts from the use of certain official cars; receipts from the sale of information and publications; recovery of law costs; rent receipts from other government departments and private tenants; other administration cost receipts.	
<b>RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies</b>	
<b>Programme</b>	<b>4,203</b>
<i>of which:</i>	
Sale of goods and services	4,203
<b>Total RfR4</b>	<b>4,203 †</b>
† Amount that may be applied as operating 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.	
<b>Total Operating A in A</b>	<b>668,885</b>

**Analysis of non - operating appropriations in aid (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**

<b>Administration</b>	-
<i>of which:</i>	
Sale of assets	-
<b>Programme</b>	<b>3,818</b>
<i>of which:</i>	
Sale of assets	3,818

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<b>Total RfR1</b>	<b>3,818 †</b>
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† 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**

<b>Administration</b>	-
<i>of which:</i>	
Sale of assets	-
<b>Programme</b>	<b>162</b>
<i>of which:</i>	
Sale of assets	162

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<b>Total RfR2</b>	<b>162 †</b>
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† Amount that may be applied as non-operating appropriations in aid arising from: the recovery of income from the sale of assets.

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<b>Total Non-Operating A in A</b>	<b>3,980</b>
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## Notes to the Estimate (*continued*)

### Departmental Expenditure Limits and Administration Budgets

	Change		New DEL		£'000
	Voted	Non-voted	Voted	Non-voted	Total
Resource DEL	4,617	23,946	4,126,902	424,604	4,551,506
<i>of which:</i>					
<i>Administration budget*</i>	9,887	-	4,432,189	60,074	4,492,263
<i>Near-cash in RDEL</i>	12,667	57,616	3,858,595	468,604	4,327,199
Capital**	27,522	-	303,679	3,739	307,418
Less Depreciation†	7,200	-	-189,133	-	-189,133
Total	39,339	23,946	4,241,448	428,343	4,669,791

\* The total of 'Administration budget' and 'Near-cash in Resource DEL' figures may well be greater than total resource DEL, due to the definitions overlapping.

\*\*Capital DEL includes items treated as resource in Estimates and accounts but which are treated as Capital DEL in budgets.

†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  
672,865

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