

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 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 non-cash resource end year flexibility entitlement

- | | | |
|----|--|------------|
| 1. | Subhead A1
£20,000,000 in administration costs, as set out in the Public Expenditure Outturn White Paper (Cm6639) | 20,000,000 |
|----|--|------------|

Transfers from other government departments

- | | | |
|----|---|-----------|
| 1. | Subhead A1
Administration costs from the Cabinet Office in respect of Parliamentary Counsel Office funding | 1,974,000 |
|----|---|-----------|

Decrease in the level of income

- | | | |
|----|---|---------|
| 1. | Subhead A5
A decrease to the level of voted programme National Insurance Fund (NIF) receipts, offset by a reduction in non-voted NIF expenditure | 423,000 |
|----|---|---------|

Increase to Annually Managed Expenditure

- | | | |
|----|--|------------|
| 1. | Subhead B3
Increase to reflect revisions to AME forecasts in respect of e-filing incentive payments | 25,000,000 |
|----|--|------------|

Decreases:

Transfers to other government departments

- | | | |
|----|---|----------|
| 1. | Subhead A2
Programme expenditure transfers to the Department for Transport in respect of a transfer of work; and to the Security and Intelligence Agencies for computer based capability | -725,000 |
|----|---|----------|

Neutral Changes:

Increased spending offset by income

- | | | |
|----|--|---|
| 1. | Subheads A1 and A5
To increase the levels of administration costs and income by £51,604,000 | - |
|----|--|---|

Transfers within the RfR

Subheads A1 and A2

Transfer from administration costs to programme expenditure of £15,000,000

Draw down of Departmental Unallocated Provision

- | | | |
|----|--|---|
| 1. | Subhead A7
To take up £3,400,000 of resource Departmental Unallocated provision and vire into capital | - |
|----|--|---|

Total changes in resources for RfR1 46,672,000

Introduction (*continued*)

RfR 3: Providing payments in lieu of tax relief to certain bodies

Decreases:

	<u>Decrease in Annually Managed Expenditure</u>	
1.	Subhead A3 Decrease to reflect a revision to the AME costs	-10,000,000
	Total changes in resources for RfR3	-10,000,000

RfR 5: Payments of Child benefits and Child Trust Fund endowments

Increases:

	<u>Increase to Annually Managed Expenditure</u>	
	Subhead A3 Increases to reflect revisions to AME costs in respect of Child Benefit	23,964,000
	Total change in resources for RfR 5	23,964,000
	Total change in resources for Estimate	60,636,000

Changes in capital

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

	<u>Transfers from Departmental Unallocated provision</u>	
1	Subhead A7 Virement from resource Departmental unallocated provision to capital	3,400,000
	<u>Neutral change</u>	
1	Subheads A7 and A8 To increase the levels of capital expenditure and income by £691,000	-
	Total changes in capital for Estimate	3,400,000

- As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £44,036,000.
- Symbols are explained in the Introduction to this booklet.

Part I

£

RfR 1: Administering the tax and customs control systems fairly and efficiently 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	†	46,672,000
RfR 3: Providing payments in lieu of tax relief to certain bodies	†	-10,000,000
RfR 5: Payments of Child Benefit and Child Trust Fund endowments		23,964,000
Total additional net resource requirement		60,636,000
Additional net cash requirement		44,036,000

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 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, 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.

† The reduction in the net resource requirement for RfR3 of £ 10,000,000 reflects a reallocation of those resources to RfR1.

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 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	4,300,639	72,853	51,181	21,672	4,322,311
Spending in Annually Managed Expenditure (AME)					
RfR 1 - B e-filing incentive payments	228,000	25,000	-	25,000	253,000
Total RfR 1		97,853	51,181	46,672	
RfR 3: Providing payments in lieu of tax relief to certain bodies					
Spending in Annually Managed Expenditure (AME)					
RfR 3 - A Payments in lieu of tax relief	90,000	-10,000	-	-10,000	80,000
Total RfR 3		-10,000	-	-10,000	
RfR 5: Payments of Child Benefit and Child Trust Fund endowments					
Spending in Annually Managed Expenditure (AME)					
RfR 5 - A Children's benefits	9,838,462	23,964	-	23,964	9,862,426
RfR 5 - B Child Trust Fund Endowments	240,000	-	-	-	240,000
Total RfR 5		23,964	-	23,964	
Total Changes to RfRs		111,817	51,181	60,636	

	Present Provision	Change in Provision	£000 New Provision
Capital and Cash			
Total Capital Expenditure	374,849	4,091	378,940
Non-Operating A in A	3,980	691	4,671
Net cash requirement	15,487,749	44,036	15,531,785

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 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							
4,630,548	175,951	256,435	5,062,934	487,622	4,575,312	362,748	4,509
Spending in Departmental Expenditure Limits (DEL)							
<i>Central Government spending</i>							
A Administration							
4,630,548	172,451	3,435	4,806,434	484,123	4,322,311	362,748	4,509
Spending in Annually Managed Expenditure (AME)							
<i>Central Government spending</i>							
B e-filing incentive payments							
-	-	253,000	253,000	-	253,000	-	-
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)							
<i>Central Government spending</i>							
A Administration							
239,257	-	-	239,257	239,256	1	16,192	162
RfR 3: Providing payments in lieu of tax relief to certain bodies							
-	-	80,000	80,000	-	80,000	-	-
Spending in Annually Managed Expenditure (AME)							
<i>Central Government spending</i>							
A Payments in lieu of tax relief							
-	-	80,000	80,000	-	80,000	-	-
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)							
<i>Central Government spending</i>							
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							
-	-	10,102,426	10,102,426	-	10,102,426	-	-

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	
Spending in Annually Managed Expenditure (AME)								
<i>Central Government spending</i>								
A Children's benefits								
-	-	9,862,426	9,862,426	-	9,862,426	-	-	
B Child Trust Fund Endowments								
-	-	240,000	240,000	-	240,000	-	-	
Total for Estimate:								
4,869,805	215,530	10,438,861	15,524,196	731,039	14,793,157	378,940	4,671	

Part II: Resource to cash reconciliation

	Present	Increase (+)/ Decrease (-)	£'000 Revised
Net total Resources	14,732,521	60,636	14,793,157
Voted capital items			
Capital expenditure	374,849	4,091	378,940
<i>Less: non-operating A in A</i>	<u>3,980</u>	<u>691</u>	<u>4,671</u>
Total net voted capital	370,869	3,400	374,269
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	-25,362	-638	-26,000
Depreciation	-164,137	-19,362	-183,499
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	<u>647,433</u>	<u>-</u>	<u>647,433</u>
Total accruals to cash adjustments	384,359	-20,000	364,359
Excess cash to be CFERd	-	-	-
Net cash requirement	15,487,749	44,036	15,531,785

Part III: Extra receipts payable to the Consolidated Fund

In addition to Appropriations in aid, the following income and receipts relate to the department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Present provision		New provision	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as A in A	-	-	-	-
Non-operating income not classified as A in A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	205,000	<i>205,000</i>	338,600	<i>210,000</i>
Excess receipts to be surrendered to the Consolidated Fund	-	-	-	-
Total	205,000	<i>205,000</i>	338,600	<i>210,000</i>

Forecast Operating Cost Statement

		£'000
		2005-06 provision
Net Administration Costs		
	RfR 1	4,511,360
	RfR 2	1
	RfR 3	-
	RfR 4	-
	RfR 5	-
		<hr/>
Total Net Administration Costs		4,511,361
Net Programme Costs		
	RfR 1	63,952
	RfR 2	-
	RfR 3	80,000
	RfR 4	35,418
	RfR 5	10,102,426
		<hr/>
Total Net Programme costs		10,281,796
Total Net Operating Cost		14,793,157
<i>of which:</i>		
	Net Resource Outturn	14,793,157
	CFERs	-
	Non-voted expenditure	-
Resource Budget Outturn		28,010,821

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2005-06 Provision
Net Resource Outturn (Estimates)	14,793,157
<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 (CFERS) in the OCS	-
Other adjustments	-
Net Operating Costs (Accounts)	14,793,157
<i>Adjustments to remove:</i>	
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
<i>Adjustments to additionally include:</i>	
other Consolidated Fund Extra Receipts	-
resource consumption of non departmental public bodies	-
unallocated resource provision	15,501
Other adjustments	13,202,164
Resource Budget Outturn (Budget)	28,010,821
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	4,677,974
Annually Managed Expenditure (AME)	23,332,847

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2005-06 Provision
Net Voted Capital Outturn (Estimates)	374,269
<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 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)	377,246
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	377,246
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 responsibility 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 RfRs, 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 responsibilities, 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 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	354,506	-
Receipts from sale of assets	-	4,509
Receipts from certain tax penalties	35,604	-
Receipts from VOA, other government departments and other bodies	19,492	-
Other miscellaneous receipts	52,113	-
Income from charges for special attendance	60	-
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	600	-
Local clearance procedure receipts	3,499	-
Fees from money laundering regulatory regime	3,894	-
Total RfR 1	487,622 *	4,509 **

* 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 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; 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 sale 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.

Notes to the Estimate (*continued*)

Analysis of appropriations in aid (A in A)

	£'000	
	2005-06 Provision	
	Operating	Non-
	A in A	operating
	<u>A in A</u>	<u>A in A</u>
#REF!		
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	731,039	4,671
<i>of which: Administration budgets</i>	<i>119,188</i>	

Analysis of Consolidated Fund Extra Receipts (CFERs)

		£'000	
		2005-06 provision	
		Income	Receipts
Fines and penalties	●	320,500	191,900
Proceeds, less duty, on sales of seized assets	●	3,300	3,300
Bank interest	●	1,000	1,000
Other miscellaneous receipts	●	13,800	13,800
Total		338,600	210,000

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	17,849	4,322,312	355,662	4,677,974
<i>of which : Administration Budget</i>	<i>3,574</i>	<i>4,511,361</i>	<i>15,501</i>	<i>4,526,862</i>
Capital	3,400	374,269	2,977	377,246
Depreciation*	-19,362	-183,499	-	-183,499
Total	1,887	4,513,082	358,639	4,871,721

*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
735,710

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

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