
HM Revenue and Customs†

Introduction

1. This Estimate covers expenditure on the combined HM Revenue and Customs department, which came into existence in April 2005 under the Commissioners for Revenue and Customs Act 2005. This combined the previous departments of the Inland Revenue and HM Customs and Excise. The new joint department covers expenditure on the indirect and direct tax systems, reducing crime and drug dependency by deterring and detecting the smuggling of illegal drugs and other restricted goods, managing the National Insurance Funds for Great Britain and Northern Ireland, the collection of National Insurance, the costs of the Valuation Office Agency, administering tax reliefs, tax credits, payments of rates to local authorities in respect of premises occupied by Foreign and Commonwealth governments, the payment of Child Benefit and Child Trust Fund endowments.

2. The Department has three main objectives to deliver within its Public Service Agreement, the supply for which is contained in this Estimate. These are to:

improve the extent to which individuals and businesses pay the amount of tax due and receive the credits and payments to which they are entitled;

improve customer experience, support business and reduce the compliance burden;

strengthen frontier protection against threats to the security, social and economic integrity and environment of the United Kingdom in a way that balances the need to maintain the UK as a competitive location in which to do business.

3. Details of the expenditure contained in this Estimate can be found in the HM Revenue and Customs Departmental Report 2005 (Cm 6542).

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

† In the Vote on Account the functions of HMRC were shown as part of the HM Customs & Excise and the Inland Revenue. The new department was formed in April 2005 by the Commissioners for Revenue and Customs Act 2005.

Part I

	£
Request for Resources 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	4,398,791,000
Request for Resources 2: Growing a contribution to the good management of property where the public interest is involved	1,000
Request for Resources 3: Providing payments in lieu of tax relief to certain bodies	90,000,000
Request for Resources 4: Making payments of rates to Local Authorities on behalf of certain bodies	35,418,000
Request for Resources 5: Payments of Child Benefit and Child Trust Fund endowments	10,078,462,000
Total net resource requirement	14,602,672,000
Net cash requirement	15,257,803,000

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 the 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 the 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.

Part I (continued)**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** department will account for this Estimate.

	Net total	Allocated in [†] Vote on Account	Balance to complete
	£	£	£
RfR 1:	4,398,791,000	1,703,536,000	2,695,255,000
RfR 2:	1,000	—	1,000
RfR 3:	90,000,000	54,450,000	35,550,000
RfR 4:	35,418,000	26,529,000	8,889,000
RfR 5:	10,078,462,000	4,595,975,000	5,482,487,000
Total net resource requirement	14,602,672,000	6,380,490,000	8,222,182,000
Net cash requirement	15,257,803,000	6,716,234,000	8,541,569,000

[†] In the Vote on Account the functions of HM Revenue and Customs were shown as part of the HM Customs & Excise and the Inland Revenue. In the Vote on Account Inland Revenue had 5 RfRs and HM Customs and Excise had two. HMRC has 5 RfRs and RfRs 2 to 5 inclusive reflect what were RfRs 2 to 5 in the Inland Revenue and the Vote on Account provision has been reallocated accordingly. RfR 1 incorporates what was RfR 1 in the former HM Customs and Excise and ost of RfR 1 in the Inland Revenue. The title of RfR1 for HMRC has been amended to reflect this change.

RfR2 of the former HM Customs and Excise and a small proportion of RfR1 for the Inland Revenue now forms RfR 1 of the new Revenue and Customs Prosecutions Office.

Part II: Subhead detail

£'000

2005-06						2004-05 Provision	2003-04 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
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									
4,472,687	159,147	203,435	4,835,269	436,478	4,398,791	265,728	3,818	4,190,086	3,673,873
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									
A Administration									
4,472,687	155,647	3,435	4,631,769	432,979	4,198,790	265,728	3,818	4,190,085	3,673,873
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
B e-filing incentive payments									
-	-	200,000	200,000	-	200,000	-	-	-	-
Non-budget									
C Operational local clearance procedures									
-	3,500	-	3,500	3,499	1	-	-	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	9,171	162	2	1
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									

Part II: Subhead detail *(continued)*

£'000

2005-06						2004-05 Provision	2003-04 Outturn			
Resources						Capital		Net Total Resources	Net Total Resources	
Admin 1	Other Current 2	Grants 3	Gross Total 4	A in A 5	Net Total 6	Capital 7	Non- operating A in A 8			
A	Administration									
	239,257	-	-	239,257	239,256	1	9,171	162	5	7
Non-budget										
<i>Administration</i>										
	-	-	-	-	-	-	-	-	-3	-6
RfR 3: Providing payments in lieu of tax relief to certain bodies										
	-	-	90,000	90,000	-	90,000	-	-	119,000	143,506
Spending in Annually Managed Expenditure (AME)										
<i>Central Government spending</i>										
A	Payments in lieu of tax relief									
	-	-	90,000	90,000	-	90,000	-	-	119,000	143,506
RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies										
	-	39,579	-	39,579	4,161	35,418	-	-	34,303	30,976
Spending in Annually Managed Expenditure (AME)										
<i>Central Government spending</i>										

Part II: Subhead detail (continued)

£'000

2005-06						2004-05 Provision	2003-04 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
A Payments of Local Authority rates									
-	39,579	-	39,579	4,161	35,418	-	-	34,303	30,976
RfR 5: Payments of Child benefits and Child Trust Fund endowments									
-	-	10,078,462	10,078,462	-	10,078,462	-	-	10,084,748	9,836,368
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Children's benefits									
-	-	9,838,462	9,838,462	-	9,838,462	-	-	9,591,139	9,436,513
B Child Trust Fund Endowments									
-	-	240,000	240,000	-	240,000	-	-	493,609	399,855
Total for Estimate:									
4,711,944	198,726	10,371,897	15,282,567	679,895	14,602,672	274,899	3,980	14,428,139	13,684,724

Part II: Resource to cash reconciliation

	£'000					
	2005-06		2004-05		2003-04	
	Provision		Provision		Outturn	
Net Total Resources	14,602,672		14,428,139		13,684,724	
Voted capital items						
Capital	274,899		563,062		231,660	
Less Non-operating A-in-A	3,980		84,777		1,368	
Total net voted capital	270,919		478,285		230,292	
Accruals to cash adjustment						
Adjustments to remove non-cash items:						
Cost of Capital charges	-25,362		-26,344		-32,924	
Depreciation	-164,284		-278,356		-142,657	
New provisions and adjustments to previous provisions	-36,800		-518,090		-405,718	
Profit (+) / loss (-) on sale of assets	-		-		-1,223	
Prior period adjustments	-		-		-	
Other non-cash items	-520		-520		-768	
Increase (+) / Decrease (-) in stock	-400		-500		-3,401	
Increase (+) / Decrease (-) in debtors	35,006		26,644		-6,589	
Increase (-) / Decrease (+) in creditors	-70,861		-182,558		50,890	
Use of provisions	647,433		8,873		21,608	
Total accruals to cash adjustments	384,212		-970,851		-520,782	
Excess cash to be CFERd	-		-		-	
Net Cash Requirement	15,257,803		13,935,573		13,394,234	

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	£'000					
	2005-06		2004-05		2003-04	
	Provision		Provision		Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as AinA	-	-	-	-	17,662	<i>5,913</i>
Non-operating income not classified as AinA	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	205,000	<i>205,000</i>	205,000	<i>205,000</i>	211,346	<i>211,346</i>
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-
Total	205,000	<i>205,000</i>	205,000	<i>205,000</i>	229,008	<i>217,259</i>

Forecast Operating Cost Statement

	£'000		
	2005-06 Provision	2004-05 Provision	2003-04 Outturn
Net Administration Costs			
RfR 1	4,405,066	4,406,317	3,948,229
RfR 2	1	-174	-4,272
RfR 3	-	-	-
RfR 4	-	-	-
RfR 5	-	-	-
Total Net Administration costs	4,405,067	4,406,143	3,943,957
Net Programme Costs			
RfR 1	-6,275	-216,231	-287,739
RfR 2	-	176	-6
RfR 3	90,000	119,000	143,506
RfR 4	35,418	34,303	30,976
RfR 5	10,078,462	10,084,748	9,836,368
Total Net Programme costs	10,197,605	10,021,996	9,723,105
Total Net Operating Cost	14,602,672	14,428,139	13,667,062
<i>of which:</i>			
Net Resource Outturn	14,602,672	14,428,139	13,684,724
CFERs	-	-	-17,662
Non-voted expenditure	-	-	-
Resource Budget Outturn	26,975,759	26,537,562	23,880,298

Notes to the Main Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2005-06	2004-05	2003-04
	Provision	Provision	Outturn
Net Resource Outturn (Estimates)	14,602,672	14,428,139	13,684,724
<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	-	-	-17,662
Other adjustments	-	-	-
Net Operating Cost (Accounts)	14,602,672	14,428,139	13,667,062
<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	2	6
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	-	-	-
resource consumption of non departmental public bodies	-	-	-
unallocated resource provision	70,501	-	-
Other adjustments	12,302,587	12,109,421	10,213,230
Resource Budget Outturn (Budget)	26,975,759	26,537,562	23,880,298
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	4,609,876	4,521,508	3,996,658
Annually Managed Expenditure (AME)	22,365,883	22,016,054	19,883,640

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2005-06	2004-05	2003-04
	Provision	Provision	Outturn
Net Voted Capital Outturn (Estimates)	270,919	478,285	230,292
<i>Adjustments to remove:</i>			
gains / losses from sale of capital assets	-	-	-1,223
<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	1,000	-
Other adjustments	-	-	-
Capital Budget Outturn (Budget)	273,896	479,285	229,069
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	273,896	479,285	229,069
Annually Managed Expenditure (AME)	-	-	-

Notes to the Main 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 Request 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 any 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 responsibilities, is set out in writing.

Notes to the Main Estimate *(continued)*

Analysis of appropriations in aid (A in A)

	£'000					
	2005-06		2004-05		2003-04	
	provision		provision		outturn	
	Operating	Non-	Operating	Non-	Operating	Non-
	A in A	operating	A in A	operating	A in A	operating
	A in A	A in A	A in A	A in A	A in A	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	—	343,763	—	354,789	—
Receipts from sale of assets	—	3,818	—	82,751	—	2,307
Receipts from certain tax penalties	15,000	—	15,000	—	11,155	—
Receipts from VOA, other government departments and other bodies	19,492	—	19,492	—	28,100	—
Other miscellaneous receipts	17,316	—	17,316	—	17,834	—
Income from charges for special attendance	940	—	940	—	999	—
Income from recovery of costs and expenses	8,267	—	8,267	—	7,147	—
Income from international commitment charges	2,343	—	2,343	—	2,998	—
Income from sale of certificates and statistical services	326	—	326	—	447	—
Income from Estate Management services	6,955	—	6,955	—	4,071	—
Income from Shipbuilders' relief	3,517	—	3,517	—	1,408	—
Local clearance procedure receipts	3,499	—	3,499	—	—	—
Fees from money laundering regulatory regime	3,894	—	3,742	—	1,823	—
Total RfR 1	436,478*	3,818**	427,160	82,751	430,771	2,307

*Amount that may be applied as appropriations in aid in addition to the net total arising from: the recovery of law costs; recovery of the 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	—	205,065	—	186,991	—
Receipts from sale of assets	—	162	—	2,017	—	284
Total RfR 2	239,256*	162**	205,065	2,017	186,991	284

*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 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.

**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 Main Estimate *(continued)*

Analysis of appropriations in aid (A in A) *(continued)*

	£'000					
	2005-06 provision		2004-05 provision		2003-04 outturn	
	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A
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	—	4,156	—	2,989	—
Total RfR 4	4,161*	—	4,156	—	2,989	—
*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	679,895	3,980	636,381	84,768	620,751	2,591
<i>of which: Administration budgets</i>	68,121	—	67,976	—	68,747	—

Analysis of Consolidated Fund Extra Receipts

	£'000					
	2005-06 provision		2004-05 provision		2003-04 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Fines and penalties ●	180,200	180,200	185,600	185,600	178,642	178,642
Proceeds, less duty, on sales of seized assets ●	6,400	6,400	6,400	6,400	6,679	6,679
Bank interest ●	1,000	1,000	1,000	1,000	2,595	2,595
Other miscellaneous receipts	17,400	17,400	12,000	12,000	23,430	23,430
Surplus receipts Φ	—	—	—	—	17,662	5,193
Total	205,000	205,000	205,000	205,000	229,008	217,259

Notes to the Main Estimate *(continued)*

Departmental Expenditure Limits and Administration Budgets

£'000

Details of 2005-06 Departmental Expenditure Limits (DEL) and Administration budget limits

	Voted*	Non-voted	Total
Resource DEL	4,198,791	411,085	4,609,876
<i>of which: Administration budget</i>	<i>4,405,067</i>	<i>70,501</i>	<i>4,475,568</i>
Capital DEL**	270,919	2,977	273,896
Less depreciation†	-164,284	—	-164,284
Total DEL	4,305,426	414,062	4,719,488

* Excludes EU receipts included in Estimates, but excluded in Budgets.

** Capital DEL includes items treated as resource in Estimates and Accounts, but which are treated as part of Capital DEL, under stage 2 of Resource Accounting and Budgeting, as implemented in the 2002 Spending Review.

† 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.

Comparisons of provision sought with final provision and forecast outturn for the previous year

The total net resource sought for 2005-06 of £14,602,672,000 is 1.2 per cent higher than the final net provision and forecast provision for 2004-05 of £14,428,139,000 for the Inland Revenue and HM Customs and Excise combined, and 3.7 per cent higher than the forecast outturn for 2004-05 of £14,086,559,000.

Notes to the Main Estimate *(continued)*

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

	2005-06 provision	2004-05 provision	2003-04 outturn
	683,875	721,149	623,342

Expenditure resting on the sole authority of the Appropriation Act

The following subheads contain provision sought under the sole authority of Part 1 of the Estimate and of the confirming Appropriation Act:

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