Dear Meg,

I am writing to you following the Public Accounts Committee hearing held on 7 December 2016 on HMRC’s approach to taxation of the wealthy. The Committee recommended that HMRC assess what more could be done to improve the tax compliance of the wealthy, including changing the law, and to report back to the Committee in July.

HMRC is committed to ensuring individuals pay the correct tax when it’s due, and pursues those who fail to meet their tax obligations. We adopt a wide range of approaches and legal powers in promoting tax compliance and in tackling non-compliance across all customer groups, including wealthy individuals.

Different customer groups present different risks, and we tailor our compliance approach accordingly. This includes us, for example, applying a higher level of scrutiny to individuals with complex financial affairs, and is an approach that we are deepening and building on.

Since 2014/15, we have brought in over £260m from tackling non-compliance in the football industry. We are currently making enquiries into 67 footballers, 39 football clubs and 13 agents for a range of issues including image rights abuse, as well as one third of the UK’s wealthiest individuals.

Understanding the risks that particular groups of customers present is crucial to identifying the most appropriate compliance approach to use. We are continuing to improve that understanding through research and by engaging with customers directly.

We continually review our powers to identify any further measures that would improve compliance. Our powers have been considerably strengthened in recent years, including for instance by the introduction of Accelerated Payments to tackle and discourage the use of marketed avoidance schemes. And the pre-election Finance Bill included a measure to penalise the enablers of avoidance schemes, as a way of deterring the marketing of further schemes to wealthy and other customers. The Government issued a Written Ministerial Statement on 13 July 2017 indicating that it would bring the measure back in a Finance Bill after recess. We will continue to provide advice to Ministers as part of the Budget process on any further measures we believe would improve compliance.
The approach used by HMRC’s High Net Worth Unit has been successful, continually delivering year on year increases in compliance yield. In 2015-16, the unit brought in an additional £416 million of compliance yield on top of the £4.3 billion high net worth individuals paid without our intervention. We are building on this success to further develop our approach to maximising the compliance of wealthy individuals. From 1 April we have brought together the teams working on wealthy individuals and mid-sized businesses with those working on compliance in relation to Inheritance Tax, Trusts, Charities and Pension Schemes. We have also brought together the High Net Worth Unit and the teams working on other wealthy individuals, including those who pay the Remittance Basis Charge, to form a single, larger, Wealthy team. This organisational change will help us work more effectively, by looking more holistically at a customer’s tax affairs, and by promoting tax compliance and tackling non-compliance across the whole of the wealthy customer group. These changes will ensure we deploy our specialist, highly skilled resource on those wealthy individuals and their linked companies, trusts and other entities that present the highest compliance risk.

This larger team is developing an approach that will build on the close scrutiny currently delivered through the CRM model, ensuring that those who present the highest level of risk are closely targeted.

I hope that you find this update helpful.

Yours sincerely,

[Signature]

JON THOMPSON
CHIEF EXECUTIVE