Dear Chris,

HMRC FINANCIAL AWARDS TO MEMBERS OF THE PUBLIC

Thank you for your letter of 30 November, and the attachments, about HM Revenue & Customs' (HMRC's) financial awards to members of the public who assist the Department. You described the case relating to a constituent who had received such an award. You noted that, while your constituent was not disputing the amount awarded, you were interested to know where the money for such awards came from, from what budget, who was authorising these payments, the legislation HMRC is applying to give awards and how HMRC determines the award amount.

The NAO has not examined this issue previously, and so we made enquiries with HMRC to answer the questions you raised. We have not investigated the individual circumstances of the award to your constituent.

HMRC told us that it pays awards to a very small percentage of people who provide the Department with exceptionally valuable information. In 2017-18, HMRC paid £343,500 to those who provided information. The costs for payments of awards are met from HMRC's Risk and Intelligence Service operational expenditure budget. The Risk and Intelligence Service is part of HMRC's Customer Compliance Group. This Group is the part of HMRC which is responsible for compliance for all customer groups, from large businesses to individuals, as well as the Department's counter-avoidance and fraud investigation functions. HMRC told us that it does not publish the amounts it pays for awards in its Annual Report and Accounts as it is not a key performance metric, nor is it required of HMRC on a public accountability or financial reporting basis. However, HMRC told us that it does routinely provide this information in response to Freedom of Information requests and MP correspondence.

In terms of authorisation levels, individual awards up to £5,000 can be approved by a Senior Officer; amounts up to £10,000 need approval at Grade 7; amounts up to £50,000 need approval at Grade 6; amounts up to £100,000 need approval at Deputy Director level; amounts up to £250,000 need approval at Director level; and anything over £250,000 needs Director General authorisation.

You asked about the legislation which HMRC applied to give awards. HMRC is empowered to pay awards by Section 26 of The Commissioners for Revenue and Customs Act 2005:

1 Available at: www.legislation.gov.uk/ukpga/2005/11/section/26
"The Commissioners may pay a reward to a person in return for a service which relates to a function of -
(a) the Commissioners, or
(b) an officer of Revenue and Customs."

An Explanatory Memorandum on Section 26: Rewards² states that: "This section gives the Commissioners for
HMRC a discretionary power to pay rewards for service to them or their officers by any person in relation to a
function of the new department or its officers. The power conferred by the section would replace a similar
power in relation to Customs and Excise matters, under section 165 Customs and Excise Management Act
(CEMA) 1979, and a more limited power to pay rewards to informers in relation to Inland Revenue matters,
under section 32 Inland Revenue Regulation Act 1890. The exercise of this function by the Commissioners is
subject to the power of the Treasury to give directions of a general nature as to its exercise, under section 11
of the Act."

You asked how HMRC determine the size of the award. HMRC told us that, in those instances where one or
more members of the public provide the Department with information about tax fraud or evasion, and a
financial award is considered appropriate, the relevant departmental team will submit an application. A
separate and independent team within HMRC would then assess the facts of the case, including the
supporting evidence. This assessment would use an award guide setting out the fundamental considerations
when deciding award levels. HMRC told us that this guide is relatively generic across all UK law enforcement
agencies, to help standardise the process. The factors that determine whether to pay an award, and the
amount, are as you mention in your letter. They include but are not limited to: the tax recovered; the estimate
of the loss of revenue prevented; the provenance of the information; and other measurable benefits such as
the time saved in working compliance cases. HMRC believes that its arrangement for assessing applications
for awards reduces the opportunity for personal bias and supports value-for-money considerations. HMRC
told us it places strict restrictions on access to the guide to minimise the risk of undue or inappropriate
influence on the fundamental considerations of the award process.

I hope this information is helpful.

Amyas Morse