



HM Revenue
& Customs

Jon Thompson
Chief Executive, First Permanent Secretary
and Accounting Officer

The Rt Hon. Nicky Morgan MP
Chair of the Treasury Committee
House of Commons

2/75
100 Parliament Street
London
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27th April 2018

Dear Nicky,

I am responding to your letter of 23 April, which raises concerns about HMRC's approach to cooperating with international partners. These concerns have been prompted by press reports of HMRC's decision not to execute a French request for a search warrant on Lycamobile's offices in the UK.

Before I turn to the specific points you raise in your letter, I should be absolutely clear that the decision not to execute the French request for a search warrant was taken entirely on the grounds that there was insufficient information provided to meet the statutory criteria for a UK search warrant. The inclusion of general information about Lycamobile in our email to the French authorities was intended to provide background information to our French partners but was irrelevant to the decision we had taken and had no effect on that decision. It was a mistake to include that background information in the email, as it created an opportunity for others to misconstrue the reasons and motivations for our decision.

I am aware that this matter arose when the Chancellor appeared before the Treasury Select Committee on Wednesday 25 April. I would like to point out that HMRC does not disclose or discuss operational matters relating to cases such as this with Treasury Ministers or officials. Therefore, they had no involvement whatsoever in HMRC's decision in this case.

Turning to the specific points you raise in your letter, HMRC is committed to helping our overseas partners, and strives to carry out any requests for investigatory activity as far as possible. We can take action only in accordance with UK law, and, where a request does not meet the standards of UK law, we work with our partners to help them to meet those standards. In the case of Lycamobile, we did just that – working with the French authorities over a period of several weeks to help them understand the extent of the information that they would need to supply as part of any application for a UK search warrant.

In 2017/18, HMRC received 247 requests for mutual legal assistance (MLA) or European Investigation Orders (EIOs) came into effect as the European successor to MLA from 31 July

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2017). Of those, 191 were executed. Of the remaining 56, 31 were redirected to the Home Office, 13 were not compliant with UK law and in 12 cases we are awaiting further information. The UK is also committed to tax transparency and close cooperation with international treaty partners. We regularly exchange information globally under tax information exchange agreements. The figures for inbound and outbound requests for the most recent years for which collated statistics are available are as follows:

Outbound requests from HMRC

Year	Total for year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
2012	591	153	185	134	119
2013	520	119	136	123	142
2014	1596	281	448	210	657
2015	1025	137	223	215	450
2016	1096	194	248	215	439

Inbound requests from HMRC

Year	Total for year	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
2012	1742	294	356	548	544
2013	2468	537	561	458	912
2014	1874	459	626	306	483
2015	1619	255	448	415	501
2016	2015	360	687	478	490

In addition, HMRC has liaison officers posted in 30 overseas countries, working in partnership with over 100 countries.

I hope that this clear evidence of HMRC's willingness to cooperate with international partners reassures you.

You ask whether HMRC is ready to undertake our own investigations where there are serious allegations of money laundering and tax fraud. HMRC is committed to ensuring all companies and individuals pay the correct tax when it's due, and pursues those who fail to meet their tax obligations. We take our response to money laundering very seriously through our supervision of high risk sectors and our enforcement activity where we criminally investigate money launderers. Increasingly we are seeking to use our supervisory, enforcement and tax powers in concert, and additional investment as part of the last Autumn Budget will enable us to increase our focus on the enablers of tax crime and money laundering. We have over four thousand staff dedicated to tackling increasingly serious and complex investigations, which consistently results in over £5bn of additional revenue and over 1,000 prosecutions a year.

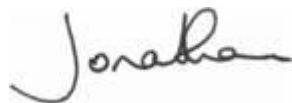
HMRC aims to secure the highest level of compliance with the law and regulations governing direct and indirect taxes and other regimes for which we are responsible. Criminal investigation, with a view to prosecution by the relevant authorities, is an important part of HMRC's overall enforcement strategy. HMRC reserves complete discretion to conduct a criminal investigation in any case and to carry out these investigations across a range of offences and in all the areas for which the Commissioners of HMRC have responsibility. We work extensively with overseas partners to support our investigations, recover proceeds from criminal activity, and return wanted serious criminals back to the UK to face the consequences of their actions.

Your letter asks for a response to concerns that HMRC's actions might be influenced by political donations or connections. HMRC does not take political donations or connections into account when taking decisions about investigations. The inclusion of background information about Lycamobile's political donations in an email to the French authorities was a mistake. Interim findings of an internal investigation, carried out by a senior HMRC lawyer who is familiar with criminal law and is from outside the team that dealt with the MLA request in question, found no suggestion that the background information influenced decision-making in the case. On the contrary, it is clear that HMRC made a concerted effort to assist the French to succeed with their request. That internal investigation will look into the processes in place to deal with requests for MLA and EIOs to make sure that we avoid this kind of concern arising in future.

Finally, your letter asks about the security of information provided to HMRC by another country's law enforcement agency. HMRC takes confidentiality and the security of its data extremely seriously. A leak inquiry is underway to try and determine how HMRC's correspondence with the French authorities entered the public domain.

I hope this letter has provided some reassurance. As I am appearing before the Public Accounts Committee on Monday, I am copying this letter to Meg Hillier.

Yours sincerely,



JON THOMPSON
CHIEF EXECUTIVE

CC: Meg Hillier, Chair, Public Accounts Committee