

## HM Revenue and Customs – Memorandum to the 2017-18 Supplementary Estimate

### Introduction

1. The HM Revenue and Customs (HMRC) Supplementary Estimate 2017-18 adjusts the necessary resources and cash required to support the functions of the Department.
2. The purpose of this Memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in this Supplementary Estimate will be applied to achieve HMRC's objectives.

### Summary of Changes in Budgetary Totals

<b>Budgetary control</b>	<b>Description</b>	<b>£m</b>
<b>Resource DEL</b>	Autumn Budget 2017 and other agreed funding	29.0
	EU exit, preparatory work	36.2
	Budget Cover Transfers	2.4
	Other	0.2
	Budget Switch to Capital DEL	(33.5)
	Increase of Expenditure (to offset increase to income)	18.9
<b>Resource DEL Income</b>	Increase of income	(18.9)
<b>Capital DEL</b>	EU exit, preparatory work	10.8
	Budget Cover Transfers	(8.8)
	Budget Switch from Resource DEL	33.5
	Increase of Expenditure (to offset increase to income)	3.4
<b>Capital DEL Income</b>	Increase of income	(3.4)
<b>Resource AME – Voted</b>	AME changes	(154.9)
<b>Resource AME – Non-voted</b>	AME changes	(188.1)
<b>Non-budget</b>	Working Capital movements	277.4
<b>Net cash requirement</b>	As a result of above Voted budget adjustments	177.7

## **Reasons for HM Revenue and Customs Supplementary Estimate**

### **Departmental Expenditure Limit (DEL) Changes**

#### 3. EU exit and Autumn Budget 2017

Funding was agreed for activity to prepare the UK for exit from the EU, which increased Resource DEL Programme by £36.2m and Capital DEL by £10.8m.

Funding for Autumn Budget 2017 and funding agreed to enable HMRC to meet in-year commitments was also confirmed. This increased Resource DEL Programme by £29.0m.

#### 4. Budget Transfers

A net £2.4m Resource DEL budget increase, consisting of:

- Increase of £4.3m Resource DEL Programme. Transfer to HMRC from Ministry of Justice (HM Courts & Tribunals Service) to reflect a lower estimate of court costs for Accelerated Payments.
- Increase of £1.0m Resource DEL Programme. Transfer to HMRC from Department for Work and Pensions for Universal Credit.
- Increase of £0.7m Resource DEL Programme. Transfer to HMRC from Cabinet Office for investment in the National Cyber Security Programme to prevent cyber-crime.
- Increase of £0.6m Resource DEL Programme. Transfer to HMRC from Foreign and Commonwealth Office for work relating to the Conflict, Stabilisation and Security Fund.
- Decrease of £3.5m Resource DEL Admin. Transfer from HMRC to Cabinet Office for employee benefit costs associated with the move of Civil Service Resourcing.
- Decrease of £0.3m Resource DEL Admin (Depreciation). Transfer from HMRC to Cabinet Office for depreciation for asset transfer to Civil Service Resourcing.
- Decrease of £0.3m Resource DEL Admin. Transfer from HMRC to HM Treasury for the annual running costs of the Office of Tax Simplification.
- Decrease of £0.1m Resource DEL Admin. Transfer from HMRC to Department of Health for the Government Finance Academy.

A £8.8m Capital DEL budget decrease, consisting of:

- Decrease of £8.8m Capital DEL. Transfer from HMRC to Cabinet Office for property fit-out of the Canary Wharf transitional site.

#### 5. Budget Switch

HMRC have transferred £33.5m from Resource DEL to Capital DEL to meet capital investment and spend plans.

#### 6. Income

HMRC have increased the Resource DEL Income limit by £18.9m. This increase is required for work conducted on behalf of Other Government Departments and legal costs recovered.

HMRC have increased the Capital Income limit by £3.4m. This increase is for contributions agreed in contracts to partially offset against the fit out costs incurred by HMRC for new Regional Centres.

7. Other

HMRC received £0.2m Resource DEL Admin as a reward for accurate cash flow forecasting.

**Annually Managed Expenditure (AME) Changes**

8. HMRC have made adjustments to AME budgets in line with the latest Office for Budget Responsibility approved forecasts. These changes also include movements relating to the annual adjustment in moving budgets from a cash basis to an accruals basis for departmental accounts.

9. Voted AME

A decrease of £154.9m consisting of:

- Tax Free Childcare

A £346.1m reduction in Tax Free Childcare for low take up.

- Child Benefit

A £175.3m increase in Child Benefit due to the annual adjustment in moving from a cash budget to an accruals budget for the Departmental Accounts.

- Payments in Lieu of Tax Relief to Certain Bodies

A £0.9m net increase consisting of:

- £5.5m increase in Stakeholder Pensions
- £4.6m reduction in Gift Aid Relief on Micro Donations.

- HMRC Administration

A £3.0m reduction in provisions.

- Utilised Provisions

A £18.0m reduction in utilised provisions.

10. Non-Voted AME

A decrease of £188.1m consisting of:

- Personal Tax Credits

A £490.8m reduction in Personal Tax Credits. This reflects a reduction against our Main Estimate allocation based on the latest full year forecasts with accruals factored in.

- Other Reliefs and Allowances
  - £119.2m increase in Above the Line Large Companies R&D Relief
  - £55.9m increase in Small Companies R&D Relief
  - £54.9m increase in High-end TV Tax Relief
  - £44.2m increase in Video Games Tax Relief
  - £32.8m increase in Museums and Galleries Tax Relief
  - £24.3m increase in Film Tax Relief
  - £4.7m increase in Theatre Tax Relief
  - £3.3m increase in Animation Tax Relief
  - £0.1m increase in Enhanced Capital Allowances
  - £0.02m increase in Guardian Allowance
  - £32.3m decrease in Orchestra Tax Relief
  - £2.4m decrease in Children's TV Tax Relief
  - £2.0m decrease in Land Remediation Relief

### **Net Cash Requirement**

11. An increase in the Net Cash Requirement of £177.7m is required. This is the result of the above changes and an increase of £277.4m due to movement in working capital balances.

### **Ambit**

12. No changes to the Ambit are required.

### **Approval of Memorandum**

13. This Memorandum has been prepared with reference to guidance in the Estimates Manual provided by HM Treasury. The information in this Memorandum has been approved by the Principal Accounting Officer, Jon Thompson.

## Annex A: Summary of Budget Transfer Movements

Budget Transfers £m	2016-17		
	Total DEL	Of which: Resource	Of which: Capital
<b>Incoming</b>			
Ministry of Justice – Accelerated Payments	4.3	4.3	
Department for Work and Pensions – Universal Credit	1.0	1.0	
Cabinet Office – National Cyber Security Programme	0.7	0.7	
Foreign and Commonwealth Office – Conflict, Stability and Security Fund	0.6	0.6	
<b>Outgoing</b>			
Cabinet Office – Canary Wharf transitional site	(8.8)		(8.8)
Cabinet Office – CSR employee benefit costs	(3.5)	(3.5)	
HM Treasury – Office of Tax Simplification	(0.3)	(0.3)	
Cabinet Office – CSR asset transfer (depreciation)	(0.3)	(0.3)	
Department of Health – Government Finance Academy	(0.1)	(0.1)	
<b>Total</b>	<b>(6.4)</b>	<b>2.4</b>	<b>(8.8)</b>