HM Revenue
& Customs

Annual Report and Accounts 2013-14

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Resource Accounts

Consolidated Resource Accounts for the year ended 31 March 2014

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Foreword to the Resource Accounts

Introduction

These Resource Accounts have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000. They present the operating costs and financial position of HM Revenue & Customs (HMRC) for the year ended 31 March 2014 and include the Core Department and the Valuation Office Agency (VOA). Figures for the VOA are also published separately in their agency accounts (HC 96), which can be viewed at www.voa.gov.uk.

HMRC is responsible for collecting the bulk of tax revenue. We manage: Income, Corporation, Capital Gains, Inheritance, Insurance Premium, Stamp and Petroleum Revenue taxes; Value Added Tax; Excise and Customs duties; Environmental taxes - Climate Change and Aggregates Levies, Landfill Tax and Air Passenger Duty; National Insurance Contributions; Bank Levy; Tax Credits; Child Benefit and the Child Trust Fund; enforcement of the National Minimum Wage; recovery of Student Loan repayments and statutory payments.

HMRC has a close relationship with the Department for Work and Pensions and its counterpart in Northern Ireland, the Department for Social Development, as they are responsible for the payment of benefits based on National Insurance Contributions. Expenditure related to the collection of National Insurance Contributions is included in the Consolidated Statement of Comprehensive Net Expenditure.

Receipts and payments of direct and indirect taxes and National Insurance Contributions are accounted for in the Trust Statement which is on pages 168-201.

Pension benefits are provided through the Civil Service pension arrangement (see note 1.13.1 and the Remuneration Report). Pension benefits are also provided through the Local Government Pension Scheme for a number of staff that are employed by the VOA (see note 1.13.2).

Supply procedure

Supply Estimates are a request to Parliament for funds to meet most expenditure by government departments and certain related bodies. When approved by Parliament, they form the basis of the statutory authority for the appropriation of funds and for HM Treasury to make issues from the Consolidated Fund. Statutory authority is provided annually by means of Consolidated Fund Acts and by an Appropriation Act. These arrangements are known as the "Supply Procedure" of the House of Commons.

Certain expenditure may be outside the Supply Procedure and, where Parliament gives statutory authority, will be charged directly to the Consolidated Fund. Alternatively, a statutory fund will be set up to finance the service, as in the case of the National Insurance Fund.

As a government department, HMRC is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans is sought through Supply Estimates presented to the House of Commons.

The Department is subject to net expenditure control under the Parliamentary Vote system. The Vote is constructed on a resource account basis and includes a formal description (ambit) of the services to be financed. Voted money cannot be used to finance services not covered by the ambit.

Government Banking Service

The Government Banking Service (GBS) is part of HMRC and is responsible for providing banking transaction services to around 700 public sector customers. It also works with HM Treasury to minimise the cost of Government borrowing and supports Treasury cash management. Its creation was a result of the recommendations of the Chancellor's 2004 Departments Banking Review and the Bank of England's decision to withdraw from the provision of retail banking and clearing services.

Under GBS's agreement with Royal Bank of Scotland and Citibank, balances are swept from the commercial banks to the Bank of England and transferred to the Consolidated Fund. GBS customer balances are not included in HMRC's Statement of Financial Position on page 116, but are included in the accounts of the relevant government entities.

Payment of suppliers

The Department is committed to the prompt payment of invoices. Payment is regarded as late if made outside the agreed terms, or, where no terms were agreed, beyond 30 days after receipt of goods and valid invoice. The Department paid 99.7 per cent (2012-13: 99.7 per cent) of supplier invoices within 30 days.

The Department aims to pay invoices within five days of receipt of goods and valid invoice. The Department paid 93.8 per cent (2012-13: 96.4 per cent) of supplier invoices within five days. The legal requirement remains at 30 days.

In 2013-14 interest paid under the Late Payment of Commercial Debts (Interest) Act 1988 was £11 (2012-13: Nil).

Change in Personal Tax Credit reporting

The Department has previously followed the accounting policy of not recognising Personal Tax Credit payments until the awards are authorised following finalisation. This process is not complete until after the Accounts have been published and consequently there is uncertainty around the level of adjustments likely to arise. In 2012-13 the Department's

statisticians provided an estimated range in which the finalisation adjustments were likely to fall and, in 2013-14, subsequently analysed the actual result against this range.

In 2013-14, the Department has changed its policy to include an estimate based on the mid-point of the range provided by our statisticians and accordingly certain prior year values have been restated. The financial impact of this change is disclosed at note 25 (page 166).

Scottish Rate of Income Tax (SRIT)

The Scotland Act 2012 gives the Scottish Parliament the power to set a rate of income tax from 2016-17 onwards and this will be accounted for within HMRC's accounts. The cost of introducing and then running the SRIT will be met by the Scottish Government. The Scotland Act Implementation income covers recovery of charges from the Scottish Government in respect of additional costs incurred by HMRC and details can be found at note 7 (page 144).

Auditors

The Comptroller and Auditor General audits these Resource Accounts in accordance with the Government Resources and Accounts Act 2000. The notional charge for these audit services as disclosed in these accounts is £0.6m (2012-13: £0.7m). In addition the Comptroller and Auditor General audits the Trust Statement and it has been agreed that it is also appropriate to reflect the cost of this audit in these Resource Accounts. For 2013-14 the cost of the audit of the Trust Statement amounted to £1.3m (2012-13: £1.2m). The total audit fee reported in these Resource Accounts is £1.9m (2012-13: £1.9m).

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Lin Homer
Principal Accounting Officer

25 June 2014

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed HM Revenue & Customs to prepare, for each financial year, Resource Accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Principal Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the permanent head of the Department as Principal Accounting Officer of the Department. In addition, HM Treasury has appointed an Additional Accounting Officer to be accountable for those parts of the Department's accounts relating to specified lines of the Estimate and the associated assets, liabilities and cash flows. This appointment does not detract from the head of Department's overall responsibility as Accounting Officer for the Department's accounts.

For 2013-14 the Principal Accounting Officer was Lin Homer.

The allocation of Accounting Officer responsibilities in the Department was as follows:

Estimate sections A, C-H and K-M: Lin Homer, Principal Accounting Officer.

Estimate sections B, I and J: Penny Ciniewicz, Chief Executive of the Valuation Office Agency.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in *Managing Public Money* published by HM Treasury.

Remuneration Report

Remuneration Policy

Senior Civil Service (SCS) pay and conditions are not delegated to individual departments. The SCS is a corporate resource, employed with a common framework of terms and conditions.

Recommendations on SCS remuneration are provided by the Review Body on Senior Salaries in an annual report to the Prime Minister.

The Government's response to the recommendations of the Review Body on Senior Salaries is communicated to departments by the Cabinet Office and the remuneration of HMRC's senior civil servants is determined by the Department's Remuneration Committee in accordance with that central guidance.

In reaching its recommendations, the review body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the Government's departmental expenditure limits
- the Government's inflation target.

The review body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the review body can be found at www.gov.uk.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No such compensation payments were made to senior managers during 2013-14.

Details of the service contract for each member of the Department's Executive Committee are shown on page 96.

Non-executive Board members are appointed for a fixed term of usually three years.

There have been no amounts payable to third parties for services of a senior manager in 2013-14. For reporting purposes, the term senior manager refers to those individuals who have served on either the Board or the Executive Committee.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Performance management system

HMRC has two Permanent Secretaries: the Chief Executive and the Tax Assurance Commissioner. Below them are three levels of senior civil servant: Director General, Director and Deputy Director which are underpinned by a job evaluation scheme (JESP - Job Evaluation for Senior Posts), which provides a consistent basis for comparing the relative value of jobs within and across departments.

A pay award averaging one per cent of the SCS paybill was implemented from 1 April 2013. The key elements of the award were:

- increases to the minimum salaries for each of the SCS1 pay ranges to £60,000 (National) £63,500 (London)
- increase to the minimum salary for the SCS2 pay range to £84,000
- a performance distribution of 'Top' (25 per cent), 'Achieving' (65 per cent), and 'Low' (10 per cent)
- staff in the 'Low' performance group were not eligible for an award
- individual awards did not exceed nine per cent of basic pay.

Base pay award

In acknowledgment that many HMRC SCS are paid at or near the bottom of the pay ranges the priority was:

- base pay awards were only paid to 'Top' and 'Achieving' performers whose pay falls below their pay range median
- address critical pay anomalies by using relative pay positioning for 'Top' performers paid at the lower end of their pay range.

All awards were capped at the pay range median.

Non-consolidated award

Delivery of performance against objectives is rewarded through a non-consolidated performance award for those who make the biggest contributions. In 2013-14 non-consolidated performance awards were made to SCS in the 'Top' performance group only, based upon 2012-13 performance which was analysed as below.

In order to determine relative performance, SCS members are ranked from strongest to weakest and allocated to three Performance Groups:

- Top: top 25 per cent of performers
- Achieving: next 65 per cent of performers and
- Low: bottom 10 per cent of performers.

Performance assessment is based on:

- the degree to which business objectives within the performance contract have been met or not
- the degree to which the corporate, capability and development objectives in the performance contract have been met or not
- the degree to which leadership behaviours and professional skills elements of the common framework have been demonstrated
- additional consideration of the degree of difficulty or ease of meeting the objectives in the light of actual events.

Performance against these criteria should be considered in the round. It is not sufficient to deliver business results at the expense of good team leadership, or to deliver corporate objectives at the expense of managing poor performance.

An individual can only be awarded a 'Top' if they have exceeded at least one finance/efficiency objective.

Non-consolidated performance award decisions are monitored by gender, ethnicity, disability and working pattern to guard against bias. The value of non-consolidated awards paid in 2013-14 for performance in 2012-13 were set as SCS1 = £9,500, SCS2 = £12,450 and SCS3 varied between £7,500 to £14,900.

The performance of Deputy Directors is moderated at Director General led committees in line with Cabinet Office performance guidance to meet the performance group allocations.

The Main Remuneration Committee comprises the Chief Executive, all Director Generals, and an independent observer. The committee makes performance decisions for Directors and signs off the pay sub-committee performance recommendations for Deputy Directors.

The Permanent Secretaries moderate the performance and non-consolidated awards for Director Generals with advice from an independent observer.

The performance of the Accounting Officer of the Valuation Office Agency is assessed by the Principal Accounting Officer of HMRC and moderated by the Main Pay Committee who also set the reward level.

The performance assessment and reward arrangements of HMRC's Permanent Secretaries, is managed by the Cabinet Office. Please see www.cabinetoffice.gov.uk for further information on these arrangements.

Policy on notice periods and termination payments

The following provides details of the Department's policy on standard SCS notice periods and termination payments.

Notice

a. Because of the power of the Crown to dismiss at will, an SCS member is not entitled to a period of notice terminating their employment. However, unless employment is terminated by agreement, in practice they will normally be given the following periods of notice in writing terminating employment:

   (i) if dismissed on grounds of inefficiency, or if dismissal is the result of disciplinary proceedings in circumstances where summary dismissal is not justified:

      - continuous service up to 4 years, a notice period of 5 weeks,

      - continuous service of 4 years and over, a notice period of 1 week plus 1 week for every year of continuous service, up to a maximum of 13 weeks.

   (ii) if retired on medical grounds, a period of notice as above or, if longer, 9 weeks, unless a shorter period is agreed.

   (iii) if employment is terminated compulsorily on any other grounds, unless such grounds justify summary dismissal at common law or summary dismissal is the result of disciplinary proceedings, a notice period of 6 months applies.

   On the expiration of such notice, employment will terminate.

   There will be no notice if an individual agrees to voluntary exit or voluntary redundancy.

b. If employment is terminated without the notice which it is stated in (a) would normally be given, having regard to the reason for such termination, compensation will be paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

c. Unless otherwise agreed, an individual is required to give a minimum of 3 months written notice to their Director General, if they wish to terminate their employment.

Compensation for early termination is based upon the standard SCS terms and conditions as set out in the SCS contracts.

Details of the service contracts for members of the Board and the Executive Committee who have served during the year

The main details of service contracts are included in the table shown below.

Officials	Date of appointment	End date of term	Unexpired term (months)
Lin Homer	23 January 2012	N/A	N/A
Edward Troup	28 August 2012	N/A	N/A
Simon Bowles	17 March 2009	N/A	N/A
Mark Dearnley	1 October 2013	30 September 2016	30
Mike Falvey	15 February 2010	30 April 2013	Expired
Jennie Granger	1 October 2012	30 September 2015	18
William Hague	23 September 2013	N/A	N/A
Jim Harra	16 April 2012	N/A	N/A
Nick Lodge	6 August 2012	N/A	N/A
Ruth Owen	1 September 2012	N/A	N/A
Non-executive Board members			
Ian Barlow	20 February 2012	19 February 2015	11
Volker Beckers	1 January 2013	31 December 2015	21
Colin Cobain	2 January 2009	30 September 2013	Expired
Edwina Dunn	1 January 2013	31 December 2015	21
Philippa Hird	2 January 2009	30 June 2014	3
Norman Pickavance	1 January 2013	31 January 2015	10
John Whiting	1 April 2013	31 March 2016	24

Note: Where the end date of term or unexpired term is shown as N/A, this denotes that their appointment is on a permanent basis.

The following sections provide details of the salaries and pension entitlements of the most senior officials of the Department. These disclosures have been subject to external audit.

Single total figure of remuneration

Senior Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to the nearest £100)		Pension benefits (£'000)[4]		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Lin Homer Chief Executive and Permanent Secretary	180-185	180-185	15-20	15-20	600	200	20-25	85-90	220-225	280-285
Edward Troup Tax Assurance Commissioner and Permanent Secretary	150-155	85-90 (145-150 full year equivalent)	-	-	500	200	30-35	15-20	185-190	105-110
Simon Bowles Chief Finance Officer	185-190	180-185	-	-	500	200	65-70	70-75	255-260	255-260
Mark Dearnley[1] Chief Digital and Information Officer (from 1 October 2013)	85-90 (175-180 full year equivalent)	-	-	-	400	-	20-25	-	110-115	-
Mike Falvey[2] Chief People Officer (to 30 April 2013)	15-20 (175-180 full year equivalent)	170-175	-	10-15	-	200	0-5	70-75	20-25	255-260
Jennie Granger Director General Enforcement and Compliance	150-155	70-75 (145-150 full year equivalent)	5-10	-	500	200	55-60	30-35	215-220	105-110
William Hague[3] Chief People Officer (from 23 September 2013)	65-70 (130-135 full year equivalent)	-	-	-	400	-	85-90	-	155-160	-
Jim Harra Director General Business Tax	130-135	120-125 (125-130 full year equivalent)	10-15	5-10	500	200	20-25	235-240	165-170	370-375
Nick Lodge Director General Benefits and Credits	120-125	75-80 (115-120 full year equivalent)	10-15	5-10	500	100	80-85	60-65	220-225	145-150
Ruth Owen Director General Personal Tax	130-135	75-80 (130-135 full year equivalent)	5-10	-	500	200	45-50	50-55	190-195	130-135

1 Mark Dearnley was appointed on a three-year contract commencing on 1 October 2013.
2 Mike Falvey was appointed on a three-year contract commencing on 15 February 2010. His contract was extended and he left the Department on 30 April 2013.
3 William Hague joined the Department on 23 September 2013. He was paid by his former employer, the Cabinet Office, until 30 September 2013.
4 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. The value of pension benefits can vary year to year due to a number of factors: the date an individual joined the Department; the date an individual left the Department; an individual receiving a higher pay increase in one year compared to another year.

Salary

Salary covers both pensionable and non-pensionable amounts and includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. They relate to performance in the previous year, therefore, bonuses paid in 2013-14 are based on 2012-13 performance and bonuses paid in 2012-13 are based on 2011-12 performance.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue & Customs as a taxable emolument. The benefits in kind incurred by the senior officials detailed in this report related to hospitality provided at external development events. Lin Homer and each of the non-executive Board members, with the exception of Colin Cobain and Norman Pickavance, all had a benefit in kind relating to a Board dinner. Norman Pickavance had a benefit in kind relating to a taxable travel and subsistence payment.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The median represents the remuneration of that staff member that lies in the middle of the linear distribution of the total staff, excluding the highest paid director.

The banded remuneration of the highest paid director in HMRC for the financial year 2013-14 was £195,000 - £200,000 (2012-13, £195,000-£200,000). This was 9.8 times (2012-13, 9.8) the median remuneration of the workforce, which was £19,974 (2012-13, £19,974).

In 2013-14, no (2012-13, None) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £2,452 to £199,800 (2012-13 £4,625 - £197,700).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The calculation for both 2012-13 and 2013-14 combines the remuneration of the workforce for both HMRC and the Valuation Office Agency. For both years the median figure falls at the HMRC Assistant Officer national pay maximum. There has been no year on year variance due to 21 per cent of HMRC's workforce being on the Assistant Officer national pay maximum and this maximum not changing in 2013-14.

Non-executive Board members

The Department's Board comprises both senior operational management and external appointees. The fees of the external appointees is detailed below. These disclosures have been subject to external audit.

Single total figure of remuneration

Non-executive directors	Fees (£'000)		Benefits in kind (to the nearest £100)		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Ian Barlow (Lead non-executive)	45-50	40-45	100	-	50-55	40-45
Volker Beckers	15-20	5-10 (15-20 full year equivalent)	100	-	20-25	5-10 (15-20 full year equivalent)
Colin Cobain (to 30 September 2013)	10-15 (25-30 full year equivalent)	25-30	-	-	10-15 (25-30 full year equivalent)	25-30
Edwina Dunn (from 4 November 2013)	5-10 (10-15 full year equivalent)	-	100	-	5-10 (10-15 full year equivalent)	-
Philippa Hird	30-35	30-35	100	-	35-40	30-35
Norman Pickavance	10-15	0-5 (10-15 full year equivalent)	300	-	15-20	0-5 (10-15 full year equivalent)
John Whiting (from 1 April 2013)	15-20	-	100	-	20-25	-

Pension Benefits

	Accrued pension at pension age as at 31 March 2014 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	(to the nearest £000)	(to the nearest £000)	(to the nearest £000)	(to the nearest £100)
Lin Homer[1] Permanent Secretary and Chief Executive	110-115	0-2.5	2,011	1,869	21	-
Edward Troup[1] Tax Assurance Commissioner	20-25	0-2.5	434	368	33	-
Simon Bowles[2] Chief Finance Officer	25-30	2.5-5.0	346	272	44	-
Mark Dearnley[2] Chief Digital and Information Officer (from 1 October 2013)	0-5	0-2.5	21	7[4]	7	-
Mike Falvey[2] Chief People Officer (to 30 April 2013)	20-25	0-2.5	257[5]	248	9	-
Jennie Granger[2] Director General Enforcement and Compliance	5-10	2.5-5.0	75	24	38	-
William Hague[1] Chief People Officer (from 23 September 2013)	25-30	2.5-5.0	260	210[6]	41	-
Jim Harra[3] Director General Business Tax	50-55 (Plus 150-155 lump sum)	0-2.5 (Plus 2.5-5.0 lump sum)	903	831	14	-
Nick Lodge[3] Director General Benefits and Credits	45-50 (Plus 135-140 lump sum)	2.5-5.0 (Plus 10.0-12.5 lump sum)	845	728	64	-
Ruth Owen[3] Director General Personal Tax	35-40 (Plus 115-120 lump sum)	2.5-5.0 (Plus 7.5-10.0 lump sum)	592	524	29	-

1 Member of the Premium Scheme, lump sum not applicable.
2 Member of the Nuvos Scheme, lump sum not applicable.
3 Member of the Classic Scheme.
4 CETV at 30 September 2013.
5 CETV at 30 April 2013.
6 CETV at 22 September 2013.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5 per cent and 6.25 per cent of pensionable earnings for **classic** and 3.5 per cent and 8.25 per cent for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Lin Homer
Principal Accounting Officer

25 June 2014

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of HM Revenue & Customs for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

The Resource Accounts record £29.3 billion of personal tax credits expenditure in 2013-14. As shown in Note 6.3 to the Resource Accounts the Department's latest estimate is that in 2012-13 error and fraud resulted in overpayments of between £1.82 billion and £2.19 billion (6.3 per cent to 7.6 per cent) of the final award by value to which claimants were not entitled. Note 6.3 also shows that the Department estimates that error led to underpayments of between £0.07 billion and £0.32 billion (0.3 per cent to 1.1 per cent) of the final award by value. Where error and fraud result in over or underpayment of personal tax credits, the transactions are not in conformity with the Tax Credits Act 2002 and related regulations which specify the criteria for entitlement to personal tax credits and the method to be used to calculate the award.

The Department currently has no estimate of the total level of error and fraud in the personal tax credits awards made in 2013-14 and therefore no evidence to demonstrate a lower estimate for overpayments and underpayments attributable to error and fraud in 2013-14. Accordingly, I have been unable to confirm that, in all material respects, personal tax credits awards are in conformity with the authorities which govern them and have been applied for the purposes intended by Parliament.

I have therefore qualified my audit opinion on the regularity of personal tax credits expenditure because of the probable level of overpayments attributable to error and fraud which have not been applied to the purposes intended by Parliament; and because of the probable level of under and over payments in personal tax credits expenditure which are not in conformity with the relevant authorities.

Qualified Opinion on regularity

In my opinion, except for the probable level of error and fraud in personal tax credits expenditure, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial

transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the: Foreword by Lin Homer, Strategic Report, Director's Report, Additional information and Foreword to the Resource Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have prepared a Report on HM Revenue & Customs 2013-14 Accounts, under Section 2 of the Exchequer and Audit Departments Act 1921. This includes, at paragraphs 5.7 to 5.9, further information on the qualification of my audit opinion on the regularity of personal tax credits expenditure.

Sir Amyas C E Morse **25 June 2014**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual *(FReM)* requires the Department to prepare a Statement of Parliamentary Supply (SOPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

Summary of Resource and Capital Outturn 2013-14

					2013-14 £m				2012-13 £m
				Estimate			Outturn		Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/(excess)	Total
Departmental Expenditure Limit									
- Resource	SOPS 2	3,341.2	313.6	3,654.8	3,323.3	322.1	3,645.4	17.9	3,663.1
- Capital	SOPS 2	230.7	-	230.7	218.1	-	218.1	12.6	194.0
Annually Managed Expenditure									
- Resource	SOPS 2	11,974.2	31,772.0	43,746.2	11,620.6	30,953.7	42,574.3	353.6	43,099.6
- Capital	SOPS 2	2.0	-	2.0	0.2	-	0.2	1.8	0.5
Total Budget		**15,548.1**	**32,085.6**	**47,633.7**	**15,162.2**	**31,275.8**	**46,438.0**	**385.9**	**46,957.2**
Non-Budget									
- Resource	SOPS 2	-	-	-	-	-	-	-	-
- Capital	SOPS 2	-	-	-	-	-	-	-	-
Total		**15,548.1**	**32,085.6**	**47,633.7**	**15,162.2**	**31,275.8**	**46,438.0**	**385.9**	**46,957.2**
Total Resource	SOPS 2	15,315.4	32,085.6	47,401.0	14,943.9	31,275.8	46,219.7	371.5	46,762.7
Total Capital	SOPS 2	232.7	-	232.7	218.3	-	218.3	14.4	194.5
Total		**15,548.1**	**32,085.6**	**47,633.7**	**15,162.2**	**31,275.8**	**46,438.0**	**385.9**	**46,957.2**

Net Cash Requirement 2013-14

Note	2013-14 Estimate	2013-14 £m Outturn	2013-14 £m Outturn compared with Estimate: saving/(excess)	2012-13 £m Outturn
SOPS 4	**15,317.2**	**14,852.2**	**465.0**	**15,700.0**

Administration Costs 2013-14

	2013-14 Estimate	2013-14 Outturn	2012-13 Outturn
SOPS 3.2	**880.3**	**864.2**	**947.4**

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

An explanation of material variances between the Estimate and outturn are provided in the Strategic Report on page 24.

The notes on pages 108-114 and 121-167 form part of these accounts.

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPS 1. Statement of Accounting Policies

The Statement of Parliamentary Supply (SOPS) and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (*FReM*) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the *FReM* are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as described below. A reconciliation of the Department's outturn as recorded in the SOPS compared to the IFRS-based Consolidated Statement of Comprehensive Net Expenditure (SoCNE) is provided in SOPS note 3.1.

SOPS 1.2.1 PFI and other Service Concession Arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off Statement of Financial Position treatment. With the introduction of IFRS accounting, properties that the Department sold to private sector contractors and subsequently leased back under a PFI contract were capitalised as finance leases under IFRIC 12. However, these properties remain off the Statement of Financial Position for Estimate and Budgeting and are treated as resource expenditure within the Statement of Parliamentary Supply.

As described in note 1.6.2, the Department has capitalised both its short-term leases with third-party private landlords, which Mapeley manages on its behalf and its short-term leases held directly with third-party private landlords under IAS 17 *Leases* where the relevant conditions are met. These properties are on the Statement of Financial Position for Accounting, Estimate and Budgeting. The property, 100 Parliament Street, was included on the Statement of Financial Position prior to IFRS and as a result is also still included on the Statement of Financial Position for Accounting, Estimate and Budgeting. The difference in the SoCNE and SOPS accounting treatment described in this paragraph can be seen as the IFRS asset costs adjustment in SOPS note 3.

As described in note 1.6.3 IT Assets, IT non-current assets of our IT Partners used in the delivery of the ASPIRE PPP contract have been capitalised as finance leases under IFRIC 12. These assets are however off Statement of Financial Position for Estimate and Budgeting and are treated as resource expenditure within the Statement of Parliamentary Supply.

SOPS 1.2.2 Provisions - Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts.

SOPS 2. Net Outturn

SOPS 2.1. Analysis of net resource outturn by section

	2013-14 £m										Restated* 2012-13 £m
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Outturn Total, compared to Estimate Net Total	Outturn Total compared to Estimate Net Total, adjusted for virements	Total
Spending in Departmental Expenditure Limit											
Voted:											
A HMRC Administration	846.2	(68.5)	777.7	2,571.2	(56.7)	2,514.5	3,292.2	3,296.3	4.1	4.1	3,289.6
B VOA Administration	-	-	-	193.9	(196.0)	(2.1)	(2.1)	-	2.1	2.1	(2.0)
C Utilised Provisions	26.2	-	26.2	7.0	-	7.0	33.2	44.9	11.7	11.7	41.0
Total Voted	872.4	(68.5)	803.9	2,772.1	(252.7)	2,519.4	3,323.3	3,341.2	17.9	17.9	3,328.6
Non-voted:											
D National Insurance Fund	60.3	-	60.3	261.8	-	261.8	322.1	313.6	(8.5)	(8.5)	334.5
Total Non-Voted	60.3	-	60.3	261.8	-	261.8	322.1	313.6	(8.5)	(8.5)	334.5
Total spending in Departmental Expenditure Limit	**932.7**	**(68.5)**	**864.2**	**3,033.9**	**(252.7)**	**2,781.2**	**3,645.4**	**3,654.8**	**9.4**	**9.4**	**3,663.1**
Spending in Annually Managed Expenditure											
Voted:											
E Social Benefits and Grants	-	-	-	11,492.1	-	11,492.1	11,492.1	11,792.0	299.9	285.9	12,160.1
F Providing payments in lieu of tax relief to certain bodies	-	-	-	76.4	-	76.4	76.4	129.5	53.1	53.1	57.1
G e-filing incentive payments	-	-	-	-	-	-	-	-	-	-	-
H HMRC Administration	-	-	-	24.6	-	24.6	24.6	36.0	11.4	10.4	19.6
I VOA - payments of rates to local authorities on behalf of certain bodies	-	-	-	63.8	(3.7)	60.1	60.1	63.6	3.5	3.5	55.8
J VOA Administration	-	-	-	0.8	-	0.8	0.8	-	(0.8)	0.2	(0.4)
K Utilised Provisions	-	-	-	(33.4)	-	(33.4)	(33.4)	(46.9)	(13.5)	0.5	(41.5)
Total Voted	-	-	-	11,624.3	(3.7)	11,620.6	11,620.6	11,974.2	353.6	353.6	12,250.7

	2013-14 £m										Restated* 2012-13 £m
	Outturn							Estimate			Outturn
	Administration			Programme							
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Outturn Total, compared to Estimate Net Total	Outturn Total compared to Estimate Net Total, adjusted for virements	Total
Non-voted:											
L Personal Tax Credit	-	-	-	29,329.2	-	29,329.2	29,329.2	30,027.0	697.8	697.8	29,699.8
M Other reliefs and allowances	-	-	-	1,624.5	-	1,624.5	1,624.5	1,745.0	120.5	120.5	739.5
Total Non-Voted	-	-	-	30,953.7	-	30,953.7	30,953.7	31,772.0	818.3	818.3	30,439.3
Total spending in Annually Managed Expenditure	**–**	**–**	**–**	**42,578.0**	**(3.7)**	**42,574.3**	**42,574.3**	**43,746.2**	**1,171.9**	**1,171.9**	**42,690.0**
Total Voted	872.4	(68.5)	803.9	14,396.4	(256.4)	14,140.0	14,943.9	15,315.4	371.5	371.5	15,579.3
Total Non-Voted	60.3	-	60.3	31,215.5	-	31,215.5	31,275.8	32,085.6	809.8	809.8	30,773.8
Total	**932.7**	**(68.5)**	**864.2**	**45,611.9**	**(256.4)**	**45,355.5**	**46,219.7**	**47,401.0**	**1,181.3**	**1,181.3**	**46,353.1**

An explanation of material variances between the Estimate and outturn are provided in the Strategic Report on page 24.

**Certain prior year figures have been restated as per note 25.*

SOPS 2.2 Analysis of net capital outturn by section

	2013-14						2012-13
	£m						£m
	Outturn			Estimate			Outturn
	Gross	Income	Net	Net	Outturn Net Total compared to Estimate Net Total	Outturn Total compared to Estimate Net Total, adjusted for virements	Net
Spending in Departmental Expenditure Limit							
Voted:							
A HMRC Administration	213.0	(2.0)	211.0	223.4	12.4	12.4	190.0
B VOA Administration	7.2	(0.1)	7.1	7.3	0.2	0.2	4.0
C Utilised Provisions	-	-	-	-	-	-	-
Total Voted	220.2	(2.1)	218.1	230.7	12.6	12.6	194.0
Non-voted:							
D National Insurance Fund	-	-	-	-	-	-	-
Total Non-voted	-	-	-	-	-	-	-
Total spending in Departmental Expenditure Limit	**220.2**	**(2.1)**	**218.1**	**230.7**	**12.6**	**12.6**	**194.0**
Spending in Annually Managed Expenditure							
Voted:							
E Social Benefits and Grants	0.2	-	0.2	2.0	1.8	1.8	0.5
F Providing payments in lieu of tax relief to certain bodies	-	-	-	-	-	-	-
G e-filing incentive payments	-	-	-	-	-	-	-
H HMRC Administration	-	-	-	-	-	-	-
I VOA - payments of rates to local authorities on behalf of certain bodies	-	-	-	-	-	-	-
J VOA Administration	-	-	-	-	-	-	-
K Utilised Provisions	-	-	-	-	-	-	-
Total Voted	0.2	-	0.2	2.0	1.8	1.8	0.5
Non-voted:							
L Personal Tax Credit	-	-	-	-	-	-	-
M Other reliefs and allowances	-	-	-	-	-	-	-
Total Non-voted	-	-	-	-	-	-	-
Total spending in Annually Managed Expenditure	**0.2**	**–**	**0.2**	**2.0**	**1.8**	**1.8**	**0.5**
Total Voted	220.4	(2.1)	218.3	232.7	14.4	14.4	194.5
Total Non-voted	-	-	-	-	-	-	-
Total	**220.4**	**(2.1)**	**218.3**	**232.7**	**14.4**	**14.4**	**194.5**

SOPS 3. Reconciliation of outturn to net operating cost and against Administration Budget

SOPS 3.1 Reconciliation of net resource outturn to net operating cost

		Note	2013-14 £m Outturn	Restated* 2012-13 £m Outturn
Total resource outturn	Budget	SOPS 2.1	46,219.7	46,353.1
	Non-Budget	SOPS 2.1	-	-
			46,219.7	**46,353.1**
Add:	Capital spend - Child Trust Fund	SOPS 2.2	0.2	0.5
	IFRS asset costs		9.6	6.4
			9.8	**6.9**
Less:	Income payable to the Consolidated Fund		(0.9)	(0.3)
	Barter deal prepayment release		-	(48.7)
			(0.9)	**(49.0)**
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			**46,228.6**	**46,311.0**

SOPS 3.2 Outturn against final Administration Budget and Administration net operating cost

	2013-14 £m	2012-13 £m
Estimate - Administration costs limit	**880.3**	**962.9**
Outturn - Gross administration costs	932.7	1,006.9
Outturn - Gross income relating to administration costs	(68.5)	(59.5)
Outturn - Net administration costs	**864.2**	**947.4**
Reconciliation to the Statement of Comprehensive Net Expenditure		
Adjustments:		
provisions utilised (transfer from Programme)	(26.2)	(33.0)
Administration IFRS asset costs	28.3	34.5
Consolidation adjustments	1.8	3.6
Barter deal prepayment release	-	(38.2)
Administration income payable to the Consolidated Fund	-	(0.1)
Net Administration Costs in the Consolidated Statement of Net Expenditure	**868.1**	**914.2**

**Certain prior year figures have been restated as per note 25.*

SOPS 4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £m	Outturn £m	Net total outturn compared with Estimate: saving/ (excess) £m
Resource Outturn	SOPS 2.1	47,400.9	46,219.7	1,181.2
Capital Outturn	SOPS 2.2	232.7	218.3	14.4
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation and amortisation		(239.4)	(270.8)	31.4
New provisions and adjustments to previous provisions		(36.0)	(20.2)	(15.8)
Other non-cash items		(2.3)	(9.1)	6.8
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories		-	0.2	(0.2)
Increase/(decrease) in receivables		-	401.6	(401.6)
(Increase)/decrease in payables		-	(730.2)	730.2
Use of provisions		46.9	33.4	13.5
Other adjustments		(32,085.6)	(30,990.7)	(1,094.9)
Net Cash Requirement		**15,317.2**	**14,852.2**	**465.0**

An explanation of material variances between the Estimate and outturn are provided in the Strategic Report on page 24.

SOPS 5. Income payable to the Consolidated Fund

SOPS 5.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income is payable to the Consolidated Fund (*cash receipts being shown in italics*).

	Outturn 2013-14 £m		Outturn 2012-13 £m	
	Income	*Receipts*	Income	*Receipts*
Income outside the ambit of the Estimate	(0.9)	*(0.9)*	(0.3)	*(0.3)*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total amount payable to the Consolidated Fund	**(0.9)**	***(0.9)***	**(0.3)**	***(0.3)***

SOPS 5.2 Consolidated Fund income

Consolidated Fund income shown in SOPS note 5.1 above does not include any amounts collected by the Department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the Department's Trust Statement, see pages 168-201.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2013-14 £m		Restated* 2012-13 £m	
	Note	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Administration costs					
Staff costs	3	309.7	309.7	303.5	303.5
Other costs	4	625.0	625.0	666.7	666.7
Income	7	(68.5)	(66.6)	(59.6)	(56.0)
Programme expenditure					
Staff costs	3	1,819.4	1,956.8	1,833.8	1,967.2
Other costs	5	43,541.7	43,649.4	43,575.5	43,677.5
Income	7	(57.6)	(245.7)	(62.3)	(247.9)
Net operating costs for the year ended 31 March		**46,169.7**	**46,228.6**	**46,257.6**	**46,311.0**
Total expenditure		46,295.8	46,540.9	46,379.5	46,614.9
Total income		(126.1)	(312.3)	(121.9)	(303.9)
Net operating costs for the year ended 31 March		**46,169.7**	**46,228.6**	**46,257.6**	**46,311.0**
Other Comprehensive Net Expenditure					
Items that will not be classified					
to net operating costs:					
Net (gain)/loss on:					
- revaluation of intangibles		(17.8)	(18.1)	(17.5)	(17.8)
Total Comprehensive Net Expenditure for the year ended 31 March		**46,151.9**	**46,210.5**	**46,240.1**	**46,293.2**

**Certain prior year figures have been restated as per note 25.*

The notes on pages 121-167 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2014

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

		31 March 2014 £m		Restated* 31 March 2013 £m	
	Note	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Non-current assets:					
Property, plant and equipment	8	455.5	464.3	475.6	484.9
Intangible assets	9	1,172.6	1,192.8	1,174.3	1,194.9
Financial assets	12,13	-	-	-	-
Receivables	16	1,467.5	1,467.5	1,214.4	1,214.4
Total non-current assets		**3,095.6**	**3,124.6**	**2,864.3**	**2,894.2**
Current assets:					
Assets classified as held for sale		-	-	-	-
Inventories	14	-	2.2	-	2.0
Trade and other receivables	16	1,049.4	1,054.0	933.2	937.3
Other current assets		-	-	-	-
Financial assets	12,13	-	-	-	-
Cash and cash equivalents	15	4.5	22.6	12.0	24.4
Total current assets		**1,053.9**	**1,078.8**	**945.2**	**963.7**
Total assets		**4,149.5**	**4,203.4**	**3,809.5**	**3,857.9**
Current liabilities:					
Trade and other payables	17	(2,682.5)	(2,719.9)	(1,968.4)	(1,998.6)
Provisions	18	(78.9)	(80.0)	(63.4)	(65.4)
Other liabilities		-	-	-	-
Total current liabilities		**(2,761.4)**	**(2,799.9)**	**(2,031.8)**	**(2,064.0)**
Non-current assets plus/less net current assets/liabilities		**1,388.1**	**1,403.5**	**1,777.7**	**1,793.9**
Non-current liabilities:					
Provisions	18	(35.6)	(36.4)	(62.9)	(64.2)
Pension liability		-	(37.7)	-	(33.0)
Other payables	17	(334.9)	(335.0)	(343.9)	(344.3)
Financial liabilities	12	-	-	-	-
Total non-current liabilities		**(370.5)**	**(409.1)**	**(406.8)**	**(441.5)**
Total assets less liabilities		**1,017.6**	**994.4**	**1,370.9**	**1,352.4**
Taxpayers' equity and other reserves:					
General fund		894.1	907.4	1,240.6	1,253.7
Revaluation reserve		123.5	124.7	130.3	131.7
Pension reserve		-	(37.7)	-	(33.0)
Total equity		**1,017.6**	**994.4**	**1,370.9**	**1,352.4**

Lin Homer
Principal Accounting Officer
25 June 2014

**Certain prior year figures have been restated as per note 25.*
The notes on pages 121-167 form part of these accounts

Consolidated Statement of Cash Flows

for the year ended 31 March 2014

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

	Note	2013-14 £m	Restated* 2012-13 £m
Cash flows from operating activities			
Net operating cost		(46,228.6)	(46,311.0)
Adjustments for non-cash transactions	4,5	300.1	277.8
(Increase)/Decrease in trade and other receivables		(401.6)	(288.4)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	-
(Increase)/Decrease in inventories		(0.2)	0.2
Increase/(Decrease) in trade and other payables		711.1	(13.1)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		19.1	71.1
Use of provisions	18	(33.4)	(41.6)
Net cash outflow from operating activities		**(45,633.5)**	**(46,305.0)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(38.5)	(27.2)
Purchase of intangible assets	9	(181.8)	(171.1)
Proceeds of disposal of property, plant and equipment		0.2	0.3
Proceeds of disposal of intangible assets		-	-
Net cash outflow from investing activities		**(220.1)**	**(198.0)**
Cash flows from financing activities			
From the Consolidated Fund (Supply)- current year		14,850.4	15,676.1
From the Consolidated Fund (Supply)- prior year		-	-
From the Consolidated Fund (non-Supply)		-	-
From the Trust Statement		30,678.0	30,546.0
From the National Insurance Fund		357.0	299.7
Payments to the National Insurance Fund		-	-
Advances from the Contingencies Fund		-	0.2
Repayments to the Contingencies Fund		-	(0.2)
Loans received from the National Loans Fund		-	-
Repayments of loans from the National Loans Fund		-	-
Capital element of payments in respect of finance leases and on Statement of Financial Position PFI contracts		(32.7)	(42.4)

Consolidated Statement of Cash Flows (continued)

for the year ended 31 March 2014

	Note	2013-14 £m	Restated* 2012-13 £m
Net financing		**45,852.7**	**46,479.4**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(0.9)**	**(23.6)**
Payments of amounts due to the Consolidated Fund		(0.9)	(0.3)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(1.8)**	**(23.9)**
Cash and cash equivalents at the beginning of the period	15	**24.4**	**48.3**
Cash and cash equivalents at the end of the period	15	**22.6**	**24.4**

**Certain prior year figures have been restated as per note 25.*

The notes on pages 121-167 form part of these accounts

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

This statement shows the movement in the year on the different reserves held by the Department, analysed into 'General Fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

		Core Department				Core Department and Agency			
	Note	General Fund £m	Revaluation Reserve[1] £m	Pension Reserve £m	Total Reserves £m	General Fund £m	Revaluation Reserve[2] £m	Pension Reserve £m	Total Reserves £m
Balance at 31 March 2012		**952.8**	**139.7**	-	**1,092.5**	**957.7**	**141.5**	**(28.8)**	**1,070.4**
Net Parliamentary Funding - drawn down		15,621.5	-	-	15,621.5	15,676.1	-	-	15,676.1
Net Parliamentary Funding - deemed		29.8	-	-	29.8	48.2	-	-	48.2
Funding from Trust Statement[3]		30,546.0	-	-	30,546.0	30,546.0	-	-	30,546.0
National Insurance Fund		331.5	-	-	331.5	331.5	-	-	331.5
Supply (payable)/receivable adjustment		(11.9)	-	-	(11.9)	(24.3)	-	-	(24.3)
CFERs payable to the Consolidated Fund	SOPS 5	(0.3)	-	-	(0.3)	(0.3)	-	-	(0.3)
Comprehensive Net Expenditure for the Year*		(46,257.6)	17.5	-	(46,240.1)	(46,311.0)	17.8	-	(46,293.2)
Non-cash Adjustments									
Non-cash charges - auditor's remuneration	4,5	1.9	-	-	1.9	2.0	-	-	2.0
Movements in Reserves									
Transfer between reserves		26.9	(26.9)	-	-	27.8	(27.6)	(0.2)	-
Pension Reserve actuarial (losses)/gains		-	-	-	-	-	-	(4.0)	(4.0)
Balance at 31 March 2013*		**1,240.6**	**130.3**	**–**	**1,370.9**	**1,253.7**	**131.7**	**(33.0)**	**1,352.4**
Net Parliamentary Funding - drawn down		14,788.0	-	-	14,788.0	14,850.4	-	-	14,850.4
Net Parliamentary Funding - deemed		11.9	-	-	11.9	24.3	-	-	24.3
Funding from Trust Statement[3]		30,678.0	-	-	30,678.0	30,678.0	-	-	30,678.0
National Insurance Fund		324.1	-	-	324.1	324.1	-	-	324.1
Supply (payable)/receivable adjustment		(4.4)	-	-	(4.4)	(22.5)	-	-	(22.5)
CFERs payable to the Consolidated Fund	SOPS 5	(0.9)	-	-	(0.9)	(0.9)	-	-	(0.9)
Comprehensive Net Expenditure for the Year		(46,169.7)	17.8	-	(46,151.9)	(46,228.6)	18.1	-	(46,210.5)
Non-cash Adjustments									
Non-cash charges - auditor's remuneration	4,5	1.9	-	-	1.9	2.0	-	-	2.0

Consolidated Statement of Changes in Taxpayers' Equity (continued)

for the year ended 31 March 2014

		Core Department				Core Department and Agency			
	Note	General Fund £m	Revaluation Reserve[1] £m	Pension Reserve £m	Total Reserves £m	General Fund £m	Revaluation Reserve[2] £m	Pension Reserve £m	Total Reserves £m
Movements in Reserves									
Transfer between reserves		24.6	(24.6)	-	-	26.9	(25.1)	(1.8)	-
Pension Reserve actuarial (losses)/gains		-	-	-	-	-	-	(2.9)	(2.9)
Balance at 31 March 2014		**894.1**	**123.5**	**–**	**1,017.6**	**907.4**	**124.7**	**(37.7)**	**994.4**

1 The 31 March 2014 Core Department Revaluation Reserve Balance comprised £67.7m in relation to Intangible Assets (31 March 2013 £74.5m, 1 April 2012 £75.4m).
2 The 31 March 2014 Consolidated Revaluation Reserve Balance comprised £68.9m in relation to Intangible Assets (31 March 2013 £75.7m, 1 April 2012 £76.8m).
3 Personal Tax Credits and Corporation Tax Reliefs are funded out of tax receipts from the Trust Statement, where these payments are shown as disbursements. Please see the Trust Statement, page 179.

**Certain prior year figures have been restated as per note 25.*

The notes on pages 121-167 form part of these accounts

Notes to the Departmental Resource Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2013-14 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The Resource Account is prepared on a going concern basis.

Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of HM Revenue & Customs for the purpose of giving a true and fair view has been selected. The particular policies adopted by HM Revenue & Customs are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare the Statement of Parliamentary Supply and supporting notes which show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

1.2 Basis of consolidation

These accounts comprise a consolidation of the Core Department and Departmental Agency (Valuation Office Agency) which fall within the Departmental boundary as defined in the *FReM* and make up the "Departmental Group". Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the Departmental boundary is given at note 24.

1.3 Tax Credits

1.3.1 Personal Tax Credits

Personal Tax Credits consist of Child Tax Credit and Working Tax Credit. Background about the operation of Personal Tax Credits can be found at www.hmrc.gov.uk.

Awards are initially assessed and paid throughout the year on a provisional basis, based on claimants' assessments of their personal circumstances, and then adjusted after the end of each award year, once claimants' actual circumstances are known. Finalisation is the process by which claimants confirm their actual income and other circumstances for the previous award year. This process finalises the award for the award year that has ended and where the payments made do not match the revised entitlement based on the final information provided, this will give rise to under or overpayments which are accounted for as soon as identified. Finalisation also forms the basis for the provisional award for the current year.

Personal Tax Credits expenditure is recognised in the financial year in which claims are assessed and awards authorised. Authorisation is the point at which the obligation to pay Personal Tax Credits arises; payments are provisional until entitlement is finalised after the financial year end. Expenditure recognised during the financial year (1 April to 31 March) relates to provisional awards for the current award year (6 April to 5 April) and adjustments in respect of the previous award year, following completion of the annual finalisation exercise.

In prior years, the Department has not estimated the results of the finalisation exercise following the year end due to uncertainty around the level of adjustment required. This year, there has been a change in accounting policy and the Department's statisticians have provided a range for the likely outcome of the finalisations and the mid-point of this range has been included in the Account. Further information on this change in accounting policy can be found at note 25.

Where under or overpayments are identified, either during the award year or subsequently, adjustments are made to expenditure. Receivables and payables are recognised as appropriate. Correcting payments are made in respect of underpayments, however if a customer has an existing receivable balance the underpayment is offset against the receivable. Overpayments are treated as other receivables and the Department seeks to recover these from future Personal Tax Credits awards or through direct repayments. Further details relating to the accounting for Personal Tax Credits receivables are provided at note 1.22 and note 6.

1.3.2 Corporation Tax Reliefs

Certain Corporation Tax Reliefs are included in these Resource Accounts:

Research & Development Tax Credits - Large Companies "Above the Line" (ATL)
Research & Development Tax Credits - Small and Medium Enterprises
Film Tax Relief
High-end TV Tax Relief
Animation Tax Relief
Land Remediation Relief
Vaccine Research Relief
Enhanced Capital Allowances

These reliefs can contain an element that is in excess of the tax liability, which is treated as a payment of entitlement. There may also be an element that is treated as Negative Taxation which is when the extent of the relief is less than or equal to the recipient's tax liability.

The value of these reliefs is estimated, based on the most recent data available. The basis of the estimation is, where available, derived from claims recorded on companies' returns for their accounting period which ended in the relevant HMRC financial year or based on other appropriate forecasting methodology. The filing requirements for companies are such that these returns are not due until 12 months after the accounting period end and consequently historic claims are utilised to project forward to the current year taking into account forecast growth rates and planned changes in relevant tax policy and rates.

1.4 Child Benefit

Payments to claimants are accounted for from the time a claim for Child Benefit is approved and put into payment by HMRC and thereafter as each subsequent payment falls due.

Where an overpayment of benefit is established, a receivable is created and programme expenditure in the Consolidated Statement of Comprehensive Net Expenditure is reduced accordingly. Where possible, overpayments are recovered from future benefit entitlements. Receivables which are deemed irrecoverable are written-off in accordance with the Department's normal remission policy, and recorded as losses or remissions as appropriate within the Consolidated Statement of Comprehensive Net Expenditure.

From 7 January 2013, a new higher income Child Benefit tax charge was introduced when a customer or their partner receives Child Benefit and either one of them has an income above £50,000 in a tax year. As a result, a proportion of the Child Benefit recorded as expenditure in the Resource Accounts for these higher rate taxpayers is now recovered via future income tax charges accounted for in the Trust Statement.

1.5 Financial instruments

A financial instrument is a contractual obligation which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Department's financial instruments are not complex and it has no equity instruments.

Further details can be found at note 12.

1.6 Property, plant and equipment

1.6.1 General

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses, in accordance with IAS 16 *Property, Plant and Equipment*. A £5,000 capitalisation threshold applies to all property, plant and equipment except for furniture, vehicles and IT

hardware, which are capitalised regardless of cost. On initial recognition assets are measured at cost including any costs such as installation directly attributable to bringing them into working condition. Assets under construction are recorded at cost. Apart from property and (collectively) furniture, all other plant and equipment is of low value with short lives where the cost is considered to be comparable to the modified historical cost had revaluation indices been applied. Assets capitalised under finance leases are recorded at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract, in accordance with IAS 17 *Leases*.

1.6.2 Property assets

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recognised and recorded at the lower of fair value and the present value of the minimum lease payments, at the inception of the lease. The interest element of the finance lease payment is charged to the Consolidated Statement of Comprehensive Net Expenditure over the period of the lease at a constant rate in relation to the balance outstanding.

Private Finance Initiative (PFI) transactions have been accounted for in accordance with IFRIC 12 *Service Concession Arrangements*, and where the Department has control within the contract and a material residual interest, the property is recognised as a non-current asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between a Consolidated Statement of Comprehensive Net Expenditure service charge and a Consolidated Statement of Financial Position finance lease liability.

The majority of the freehold and leasehold property assets occupied by HMRC were acquired from the predecessor Departments by Mapeley STEPS Contractor Ltd in March 2001 under a twenty-year PFI contract (see note 11.3). These assets have been capitalised as finance leases under IFRIC 12. The buildings only have been treated as finance leases and the related land has been treated as operating leases. The Department has also capitalised its seven other PFI property interests as finance leases being service concession arrangements under IFRIC 12, with the exception of Benton Park View, of which only 75 per cent has been capitalised as the Department for Work and Pensions is the joint tenant for the remainder of the property. The Department has capitalised both its short-term leases with third-party private landlords which Mapeley manages on its behalf, and its short-term leases held directly with third-party private landlords under IAS 17 where the relevant conditions are met.

Property assets have been stated at fair value using professional valuation every five years, with interim professional review three years after each full valuation. Valuations in intermediate years are undertaken where a material change is likely.

Accommodation refurbishments at note 8 reports expenditure in respect of major capital refurbishments and improvements of properties occupied

but not owned. HMRC policy is to capitalise refurbishments when the project costs exceed £150,000.

1.6.3 IT assets

The IT non-current assets recognised by our IT partners Capgemini and Fujitsu and used in delivering the ASPIRE contract have been capitalised as finance leases under IFRIC 12 and are disclosed at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract. It is not possible to separate these assets between the Core Department and the Valuation Office Agency as they are used in common to deliver the service. These joint assets are held by the Core Department and are treated as an operating lease by the Valuation Office Agency. Whilst consolidated figures will report the correct aggregate position this difference in approach is to be noted. Where related figures are reported separately for the Core Department and the Valuation Office Agency, there is no material impact on figures reported.

1.6.4 Tangible assets under construction

Assets under construction are separately reported in note 8. Costs are accumulated until the asset is completed and brought into service when the asset is transferred to the relevant asset class and depreciation commences.

1.7 Depreciation

Non-current assets are depreciated at rates calculated to write them down to estimated residual values on a straight-line basis over their estimated useful lives. Asset lives are normally in the following ranges:

1.7.1

Asset category – Tangible Assets	Estimated useful life
Land	Not depreciated
Freehold buildings	50 years
Leased serviced accommodation	Period of the lease
Leased IT assets	Period of the lease
Accommodation refurbishments	Period of the lease
Office equipment	5 to 20 years
Computer equipment	5 to 7 years
Vehicles	5 to 8 years
Furniture & fittings	15 years
Scientific aids	3 to 10 years

1.7.2

Asset category – Intangible Assets	Estimated useful life
Developed computer software	10 years unless known to be otherwise
Software licences	Period of the licence
Website development costs	10 years unless known to be otherwise

1.8 Intangible assets

1.8.1 Developed computer software

Computer software that has been developed by the Department and its IT service partners, and for which the Department has ownership rights e.g. the corporate tax collecting software, has been capitalised. This capitalisation includes the staff costs for developing, integrating and testing IT software in the development of the programs. Annually where appropriate, indices are applied to developed computer software which have not been formally valued during the year.

1.8.2 Intangible assets under construction

Intangible assets under construction relate to software development and are separately reported in note 9. Costs are accumulated until the asset is completed and brought into service when the asset is transferred to the relevant asset class and amortisation commences.

1.9 Impairments of non-financial assets

Impairments are recognised in accordance with IAS 36 *Impairment of Assets.*

1.10 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges to other government departments, agencies, non-departmental public bodies and external customers for services provided on a full-cost basis. It includes not only income allowed to be retained by the Department but also any operating income which, in accordance with the *FReM*, is required to be paid to the Consolidated Fund. Operating income is stated net of VAT.

The Department complies with IAS 18 *Revenue* in respect of its income streams and recognises revenue when earned.

1.11 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme, income and expenditure. The classification of expenditure and income as administration or as programme follows the definition agreed with HM Treasury.

Administration reports the internal administration costs of running the Department for example human resources, finance, estates management, and includes both costs and associated operating income. The income is analysed between that which is allowed to be offset against gross administrative costs and that which is not.

Programme reports the costs incurred in the delivery of front line services such as the parts of the Department which interact directly with our external customers. In addition it includes the payments made for Tax Credits, Child Benefit and other disbursements by the Department. All expenditure and associated operating income for the Valuation Office Agency is treated as Programme.

1.12 Cash and cash equivalents

These are cash and bank balances in respect of administering the Department and programme expenditure, but exclude all tax and duty revenues collected. The latter are included in the Department's Trust Statement.

Cash and cash equivalents comprise cash in hand and current balances, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

1.13 Pensions

1.13.1 Principal Civil Service Pension Scheme

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS).

The defined benefit scheme within the PCSPS is unfunded and is contributory. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.13.2 Local Government Pension Scheme

The Valuation Office Agency merged with The Rent Service on 1 April 2009, taking on staff who are members of the Local Government Pension Scheme. Further information can be found within the Valuation Office Agency accounts (HC 96) that can be viewed at www.voa.gov.uk.

1.14 Employee Benefits

In accordance with IAS 19 *Employee Benefits*, an accrual is made for staff annual leave earned but not taken at the date of the Consolidated Statement of Financial Position.

1.15 Provisions

Under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Department provides for legal or constructive obligations which are of uncertain timing or amount at the date of the Consolidated Statement of Financial Position, on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rates set by HM Treasury.

1.16 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who take early departure or retirement under the Civil Service Compensation Scheme. The Department has made provision in full for this cost. The estimated risk-adjusted cash flows are discounted at 1.8 per cent as set by HM Treasury (2012-13: 2.35 per cent).

1.17 Impairment of receivables

In accordance with IAS 39 an impairment of receivables is made when considered material following assessment of the recoverability of future cash flows, for example, in respect of legal costs that have been awarded to the Department. Impairments are also made to include those in respect of Child Benefit receivables (note 1.4) and Tax Credits receivables (note 1.22) to allow for potentially irrecoverable amounts. All these impairments have been estimated having regard to the level of receivables not expected to be recovered.

1.18 Value Added Tax (VAT)

Most of the activities of the Department are outside the scope of VAT. A proportion of the activities of the Department will attract VAT, and output VAT will apply in these circumstances. The Department also has recoverable and non-recoverable elements for input tax on purchases. Some purchase VAT on a restricted number of services is recovered under Section 41 of the VAT Act 1994 and in accordance with the HM Treasury 'Contracting-out Direction'. Section 41 is intended to remove any disincentive to government departments of contracting-out activities performed 'in-house' where there is a sound basis for doing so. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Income and expenditure is otherwise shown net of VAT.

1.19 Third-party assets

On behalf of the Department, Citibank holds Euro deposits in relation to the European Commission twinning projects. These assets are not held as part of the Department's activities and as such do not form part of these accounts.

Details of these assets are reported in note 23.

1.20 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*. Further information about *Managing Public Money* can be found on the HM Treasury website.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.21 Newly applied and future accounting policy changes

Adopted in these Financial Statements

The *FReM* typically applies the standards and interpretations that are effective for the accounting period to which it refers. The following have been adopted in these Resource Accounts:

- for 2013-14, the *FReM* pro-forma Resource Accounts format has been updated to separate the Statement of Parliamentary Supply and its associated notes from the remainder of the Resource Accounts. In addition, the Statement of Parliamentary Supply now has its own set of accounting policies
- IAS 1 Presentation of financial statements (Other Comprehensive Income). The application of the IAS 1 amendments interpreted for terminology and adapted for the public sector context was effective 1 April 2013.

Effective for future financial years

New and revised standards and interpretations have been issued but are not yet effective, and have not therefore been adopted in this account. We expect that the following new standard and *FReM* changes may affect the Resource Accounts if they are adopted by the Financial Reporting Manual, after further consultation:

- IFRS 13 Fair Value Measurement, effective 1 January 2013 for the private sector. IFRS 13 provides consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS. The impact of the proposals on the public sector are being further reviewed by HM Treasury and other relevant authorities following a consultation that took place in 2013. For Central Government, the implementation date is expected to be during 2015-16
- IFRS 12 Disclosure of interests in other entities, EU adopted effective 1 January 2014. With the continuation of current adaptions, the impact on Central Government primarily relates to disclosure of the financial effects on, and risks to, the consolidating entity
- IFRS 9 Financial Instruments, effective 1 January 2015 (not yet EU adopted). IFRS 9 addresses classification, measurement and impairment of financial assets and is still subject to consultation
- IAS 17 Leases (replacement), effective date to be determined. The current proposals include the elimination of the current operating lease categorisation for nearly all leases except short-term. Instead, assets and liabilities will be recognised on a "right to use" basis. HM Treasury has commenced an analysis of the revised exposure draft and will review the implications with the relevant authorities, following due process once there is a final standard.

1.22 Critical accounting judgements and key sources of estimation

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Department's accounting policies.

The areas that involve a higher degree of judgement or complexity, or where the assumptions and estimates are significant to the Resource Accounts, are as follows:

Personal Tax Credits expenditure

Personal Tax Credits consist of Working Tax Credits and Child Tax Credits. HMRC statisticians provide receivable and payable balances based on data from tax credits systems to move Personal Tax Credits to an accruals accounting basis. A range for the estimate of the results of the current year finalisation exercise is also provided. This estimate is based on a model used to forecast debt and factors in a number of assumptions including the expected effects of new policy. It is therefore subject to uncertainty and the estimate disclosed in note 6.2 represents the mid-point of the range (see note 1.3.1). Estimates for the split of Working Tax Credits and Child Tax Credits and the apportionment of costs to Negative Tax and Payments of Entitlement are also provided. The apportionments are estimated by modelling the tax credits systems and financial data (see note 6).

Corporation Tax Reliefs

As stated in note 1.3.2 Corporation Tax Reliefs are estimated by the Department's statisticians. The models are based on a combination of projections utilising the most recent forecasts of economic variables on which future expenditure flows depend. Due to the areas of uncertainty involved, there will inevitably be differences between the estimated forecasts and actual future outturns. These differences arise because of the need to make judgements on areas of uncertainty and are not indicative of deficiencies in the models (see note 6.4).

Impairment of receivables

Impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, the calculation of which differs depending on the type of receivable. The following receivables balances have been impaired: Personal Tax Credits, Child Benefit, law costs, and other receivables (see note 16).

The impairment of Personal Tax Credits receivables is based on assumptions about the amounts which will be recovered, informed by experience. The impairment percentage is calculated for different receivables category types, taking into account recent, actual recovery rates for each category. The percentages are then applied to the gross carrying value of receivables for each category to provide an estimate of

the recoverable amount. This ensures that assets are carried at no more than their fair value (i.e. their expected recoverable amount).

The exercise is performed after all Personal Tax Credits remissions exercises during the year have been completed, in order that only relevant data is used in determining appropriate recovery rates.

Relatively minor adjustments in assumptions can have a significant impact on reported figures. The maximum impact of a one per cent change in the recoverability assumptions would be an increase or decrease of £65 million of the impairment.

The impairment of Child Benefit receivables is calculated using recovery rates by aged debt bands. The percentages have been created by comparing the outstanding balance with the original value of the overpayment debt in each aged debt band. Following this process through each of the aged debt bands provides the value of the Child Benefit impairment required.

Provisions and contingent liabilities

The Department undertakes a quarterly review of provisions and contingent liabilities. The provisions include legal claims, early departure costs, Child Trust Fund and accommodation costs. These are estimated by appropriate business areas based on the likelihood of a liability materialising. In accordance with IAS 37, a provision is recorded if it is considered probable that an obligation will arise (see note 18). Where a possible obligation may arise, the Department discloses a contingent liability, unless the outflow of economic benefits is remote (see note 20).

2. Statement of Operating Costs by Operating Segment

This note apportions current expenditure against the Operating Segments that are the main areas of business activity.

The reportable segments are the lines of business that are reported to the Chief Executive and the Board. These segments are the strands of activity in the management information reviewed by the Board and used by them to make decisions, presented as the Financial Pack and reported here in the same format.

The Financial Pack covers expenditure and income which is reported to the Chief Executive and the Board. Information on all other net expenditure is included in note 2.1. This information is reported to the Board, however as it is Annually Managed Expenditure it is centrally managed and is reported in a different format than the reportable segments in the management accounts which compares budgeted spend to full year forecast spend at the segment level.

	2013-14		
	Gross Expenditure £m	Income £m	Net Expenditure £m
Reportable Segment			
Business Tax	157.6	(1.8)	155.8
Personal Tax	680.2	(10.1)	670.1
Enforcement & Compliance	1,068.6	(31.6)	1,037.0
Benefits & Credits Delivery	153.0	-	153.0
Central Tax & Strategy	42.5	(1.0)	41.5
Chief Finance Officer Group	430.0	(22.3)	407.7
Chief Digital & Information Officer Group	846.9	(27.2)	819.7
Chief People Officer Group	185.1	(26.1)	159.0
Legal	49.2	(3.5)	45.7
HMRC Central Budgets	56.9	(1.5)	55.4
Change Investment funding	100.3	-	100.3
Total	**3,770.3**	**(125.1)**	**3,645.2**

	Restated* 2012-13		
	Gross Expenditure £m	Income £m	Net Expenditure £m
Reportable Segment			
Business Tax	199.3	(14.7)	184.6
Personal Tax	736.3	(8.7)	727.6
Enforcement & Compliance	1,051.2	(23.1)	1,028.1
Benefits & Credits Delivery	157.2	(0.1)	157.1
Central Tax & Strategy	36.6	(0.6)	36.0
Chief Finance Officer Group	490.6	(24.4)	466.2
Chief Digital & Information Officer Group	793.4	(29.7)	763.7
Chief People Officer Group	126.9	(15.0)	111.9
Legal	47.4	(3.3)	44.1
HMRC Central Budgets	47.8	(1.6)	46.2
Change Investment funding	98.9	(0.3)	98.6
Total	**3,785.6**	**(121.5)**	**3,664.1**

2.1 Reconciliation between Operating Segments and Consolidated Statement of Comprehensive Net Expenditure

	2013-14 £m	Restated** 2012-13 £m
Total net expenditure reported for operating segments	**3,645.2**	**3,664.1**
Valuation Office Agency	(1.3)	(2.4)
Payments in lieu of tax relief	61.3	54.4
Payments of Local Authority Rates	60.1	55.7
Child Benefit and Child Trust Fund	11,492.1	12,160.1
Personal Tax Credits	29,329.2	29,699.8
Corporation Tax Reliefs	1,628.1	729.3
Other Income Tax reliefs	9.5	11.0
IFRS elements not included in the Management Accounts	9.5	6.3
Remaining reconciling items	(5.1)	(67.3)
Total net expenditure per the Consolidated Statement of Comprehensive Net Expenditure	**46,228.6**	**46,311.0**

** Certain prior year figures have been restated to align with the segments reported to the Board in 2013-14.*

***Certain prior year figures have been restated as per note 25.*

3. Staff numbers and related costs

Staff costs comprise:

	2013-14 £m			2012-13 £m
	Permanently employed staff	Others	Total	Total
Wages and salaries	1,747.2	69.7	1,816.9	1,815.6
Social security costs	124.3	3.9	128.2	130.1
Other pension costs	317.4	7.5	324.9	325.0
Sub Total	**2,188.9**	**81.1**	**2,270.0**	**2,270.7**
Less recoveries in respect of outward				
secondments	(2.3)	-	(2.3)	(3.4)
Total net costs	**2,186.6**	**81.1**	**2,267.7**	**2,267.3**

Of which:	Charged to Administration budgets	Charged to Programme budgets	Charged to Capital budgets	Total
Core Department	308.9	1,817.8	3.6	2,130.3
Valuation Office Agency	-	137.4	-	137.4
Total net costs	**308.9**	**1,955.2**	**3.6**	**2,267.7**

The Department consists entirely of officials as it does not pay the salary of the Minister who has responsibility for HM Revenue & Customs (HMRC). This is paid out of central funds and can be found in the resource accounts of HM Treasury.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but HMRC is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. An actuarial valuation of the PCSPS is currently underway, with an effective date of 31 March 2012. This valuation is being conducted in line with directions made by HM Treasury, made under the Public Service Pensions Act 2013. Provisional results of the valuation indicate that there will be an increase of 2.2 percentage points in the average employer contribution rate paid to the scheme from 1 April 2015, with the average employer contribution rising from 18.9 per cent to 21.1 per cent. The full results of the valuation, which will also set an employer cost cap for the scheme, will be published in the coming months. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14, employers' contributions of £323,163,855 were payable to the PCSPS (2012-13: £323,206,137) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when

the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £730,863 (2012-13: £749,334) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £52,760, 0.8 per cent of pensionable pay (2012-13: £52,558, 0.8 per cent of pensionable pay), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

A number of the Valuation Office Agency's employees are members of the Local Government Pension Scheme. Contributions into this scheme for 2013-14 were £961,429 (2012-13: £971,438). Further information can be found within the Valuation Office Agency accounts (HC 96) that can be viewed at www.voa.gov.uk.

Contributions due to the partnership pension providers at the reporting period date were £134,668. Contributions prepaid at that date were nil.

The Remuneration Report provides details of the Pension benefits for the members of the Executive Committee.

137 individuals (2012-13: 123 individuals) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £192,497 (2012-13: £195,613).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Core Department and the Valuation Office Agency included within the Consolidated Departmental Resource Account.

	2013-14 Number			2012-13 Number
	Permanently employed staff	Others	Total	Total
Core Department	59,443	3,567	63,010	65,040
Valuation Office Agency	3,408	103	3,511	3,480
Staff engaged on capital projects	51	-	51	-
Total	**62,902**	**3,670**	**66,572**	**68,520**

3.1 Reporting of Civil Service and other compensation schemes - exit packages

Comparative data shown in brackets for previous year.

	Core Department			Core Department and Agency		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost)
‹£10,000	2 (-)	83 (14)	85 (14)	2 (-)	83 (14)	85 (14)
£10,000 - £25,000	11 (1)	713 (93)	724 (94)	16 (2)	715 (94)	731 (96)
£25,000 - £50,000	- (2)	1,117 (130*)	1,117 (132*)	- (2)	1,119 (130*)	1,119 (132*)
£50,000 - £100,000	- (-)	201 (85)	201 (85)	- (-)	202 (91)	202 (91)
£100,000 - £150,000	- (-)	18 (15)	18 (15)	- (-)	18 (18)	18 (18)
£150,000 - £200,000	- (-)	3 (10)	3 (10)	- (-)	3 (10)	3 (10)
£200,000+	- (-)	1 (4)	1 (4)	- (-)	1 (4)	1 (4)
Total number of exit packages by type	**13 (3)**	**2,136 (351*)**	**2,149 (354*)**	**18 (4)**	**2,141 (361*)**	**2,159 (365*)**
Total resource cost	**£159,844 (£34,616)**	**£68,415,187 (£16,564,259*)**	**£68,575,031 (£16,598,875*)**	**£251,844 (£48,616)**	**£68,564,187 (£17,357,259*)**	**£68,816,031 (£17,405,875*)**

* The prior year figures have been adjusted to account for a late exit package relating to 2012-13.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year in which the obligation becomes binding on the Department. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. The ill-health retirement costs are met by the pension scheme and are not included in the table.

The numbers included in the table above include departures of staff who are members of the Local Government Pension Scheme. Their compensation arrangements are outside the scope of the Civil Service Compensation Scheme. The cost of their early retirements reflects the cost of providing any lump sum due on retirement together with the cost associated with the increase in future liability to pay pension.

4. Other Administration costs

	2013-14 £m				2012-13 £m			
	Core Department		Core Department and Agency		Core Department		Core Department and Agency	
Rentals under operating leases:								
Hire of plant and machinery	0.2		0.2		0.3		0.3	
Other operating leases	9.8		9.8		17.3		17.3	
		10.0		10.0		17.6		17.6
Interest charges:								
Accommodation PFI interest charges[1]	35.5		35.5		38.3		38.3	
Accommodation Non-PFI interest charges	1.9		1.9		2.1		2.1	
		37.4		37.4		40.4		40.4
Service charges								
IT PPP contract payments	224.9		224.9		202.4		202.4	
Accommodation PFI contract payments[1]	88.8		88.8		90.5		90.5	
Indexation of liability on PFI deals	2.4		2.4		2.5		2.5	
		316.1		316.1		295.4		295.4
Other expenditure:								
Travel, subsistence and hospitality	11.5		11.5		10.0		10.0	
Accommodation expenses	21.7		21.7		72.7		72.7	
Staff related costs	4.6		4.6		3.1		3.1	
Printing, postage, stationery and office supplies	8.1		8.1		10.8		10.8	
Telephone expenses	29.4		29.4		36.0		36.0	
IT services and consumables	27.9		27.9		19.7		19.7	
Legal costs[2]	(1.3)		(1.3)		1.6		1.6	
Consultancy	0.8		0.8		1.2		1.2	
Contracted out services	20.9		20.9		19.4		19.4	
Publicity	4.8		4.8		4.3		4.3	
Bank charges	10.7		10.7		10.4		10.4	
Other miscellaneous expenditure	13.5		13.5		7.5		7.5	
		152.6		152.6		196.7		196.7
Non-cash items:								
Depreciation	55.8		55.8		64.4		64.4	
Amortisation	48.3		48.3		47.2		47.2	
Profit on disposal of property, plant and equipment	(0.1)		(0.1)		(0.1)		(0.1)	
Loss on disposal of property, plant and equipment	2.7		2.7		3.2		3.2	
Net revaluation loss	-		-		-		-	
Net loss on impairment of non-current assets	0.3		0.3		-		-	
Auditor's remuneration and expenses	1.9		1.9		1.9		1.9	
		108.9		108.9		116.6		116.6
Total		**625.0**		**625.0**		**666.7**		**666.7**

[1] Includes payments for non-PFI land and buildings that are leased by the PFI service provider.
[2] In 2013-14 there was a credit following a reduction in the impairment provision for Law Cost receivables.

5. Programme costs

	Note	2013-14 £m Core Department		2013-14 £m Core Department and Agency		Restated* 2012-13 £m Core Department		Restated* 2012-13 £m Core Department and Agency	
Tax Credits									
Personal Tax Credits	6	29,329.2		29,329.2		29,699.8		29,699.8	
Corporation Tax Reliefs	6	1,615.4		1,615.4		729.3		729.3	
			30,944.6		30,944.6		30,429.1		30,429.1
Child Benefit									
Child Benefit		11,494.4		11,494.4		12,176.0		12,176.0	
Guardians Allowance (Funded from NIF)		2.0		2.0		1.9		1.9	
			11,496.4		11,496.4		12,177.9		12,177.9
Payments in lieu of tax relief									
Life Assurance Premium Relief, MIRAS		9.5		9.5		11.0		11.0	
Transitional payments to charities		19.0		19.0		4.4		4.4	
Stakeholder pensions		55.0		55.0		50.0		50.0	
			83.5		83.5		65.4		65.4
Payments of Local Authority Rates									
Payments of Local Authority Rates (POLAR)		-		63.8		-		59.1	
			-		63.8		-		59.1
Rentals under operating leases:									
Hire of plant and machinery		0.1		0.1		0.1		0.1	
Other operating leases		24.4		24.6		15.3		15.6	
			24.5		24.7		15.4		15.7
Interest charges:									
IT PPP interest charges		4.5		4.5		8.6		8.6	
			4.5		4.5		8.6		8.6
Service charges									
IT PPP contract payments[1]		287.1		295.9		276.7		288.2	
Accommodation PFI contract payments[1]		41.4		50.1		47.3		55.4	
Indexation of liability on PFI deals		-		-		-		-	
			328.5		346.0		324.0		343.6

5. Programme costs (continued)

		2013-14 £m				Restated* 2012-13 £m			
	Note	Core Department		Core Department and Agency		Core Department		Core Department and Agency	
Other Programme Costs									
Travel, subsistence and hospitality		37.1		42.7		33.6		38.7	
Accommodation expenses		75.7		85.4		26.8		36.0	
Staff related costs		0.2		0.8		0.3		0.8	
Printing, postage, stationery and office supplies		59.2		61.0		66.6		68.2	
Telephone expenses		26.6		28.4		20.6		22.3	
IT services and consumables		0.3		1.7		5.9		7.0	
Legal and investigation		37.9		38.5		37.3		37.5	
Consultancy		0.5		0.5		0.3		0.3	
Contracted out services		17.9		18.6		22.5		23.2	
Publicity		2.6		2.7		2.4		2.5	
Post Office services		12.5		12.5		12.7		12.7	
Bank charges		8.9		8.9		8.6		8.7	
Shipbuilders' Relief		1.0		1.0		33.1		33.1	
Enforcement Costs		23.6		23.6		20.2		20.2	
Business Link Payments		-		-		4.7		4.7	
NIF OGD Costs		58.5		58.5		60.1		60.1	
Early severance schemes		85.7		85.8		19.7		20.8	
Other programme expenditure		31.2		24.1		28.6		20.1	
			479.4		494.7		404.0		416.9
Non-cash items									
Depreciation		10.5		13.7		8.3		12.2	
Amortisation		147.9		153.0		141.1		146.5	
(Profit)/Loss on disposal of property, plant and equipment		(0.7)		(0.7)		(2.1)		(1.9)	
Net revaluation loss/(gain)		0.1		0.1		(0.5)		0.3	
Net loss/(profit) on impairment of non-current assets		3.1		3.1		1.4		1.4	
Auditor's remuneration and expenses		-		0.1		-		0.1	
Other Pension Finance Costs		-		1.7		-		0.2	

5. Programme costs (continued)

		2013-14 £m				Restated* 2012-13 £m			
	Note	Core Department		Core Department and Agency		Core Department		Core Department and Agency	
Provision provided for in year	18								
Amounts provided for early departure costs		2.7		3.0		9.1		8.3	
Borrowing costs (Unwinding of discount) on provisions	18	1.2		1.3		1.5		1.6	
Child Trust Fund		(2.4)		(2.4)		(15.9)		(15.9)	
Other provisions		17.9		18.3		8.2		8.4	
			180.3		191.2		151.1		161.2
Total			**43,541.7**		**43,649.4**		**43,575.5**		**43,677.5**

[1] Includes payments for non-PFI land and buildings that are leased by the PFI service provider.

**Certain prior year figures have been restated as per note 25.*

Child Benefit

Child Benefit expenditure includes amounts paid to higher rate taxpayers earning greater than £50,000 per annum. In accordance with the revised government policy, it is estimated that £600m will be recovered via future income tax charges arising from payments of Child Benefit to those earning over £50,000 in 2013-14. These income tax charges are accounted for in the Trust Statement.

6. Tax Credits

6.1 Analysis of Personal Tax Credit expenditure:

	2013-14 £m			Restated* 2012-13 £m		
	Child Tax Credits	Working Tax Credits	Total Tax Credits	Child Tax Credits	Working Tax Credits	Total Tax Credits
Tax Credits treated as Negative Taxation	2,046.8	563.0	2,609.8	2,141.8	611.1	2,752.9
Tax Credits treated as Payments of Entitlement	20,525.3	5,645.6	26,170.9	19,588.6	5,589.3	25,177.9
	22,572.1	**6,208.6**	**28,780.7**	**21,730.4**	**6,200.4**	**27,930.8**
Movement in impairment for receivables	313.5	60.2	373.7	1,161.9	285.3	1,447.2
Remissions/Write-offs	127.2	47.6	174.8	250.4	71.4	321.8
Total Tax Credits	**23,012.8**	**6,316.4**	**29,329.2**	**23,142.7**	**6,557.1**	**29,699.8**

The Personal Tax Credits expenditure analysis above is disclosed as Negative Taxation to the extent that the Personal Tax Credits are less than or equal to the recipient family's income tax liability and as Payments of Entitlement where Personal Tax Credits exceed the recipient family's income tax liability.

Please see note 1.22 for the estimation techniques used to determine the values for Negative Taxation and the Payments of Entitlement and how these are apportioned between Child Tax Credits and Working Tax Credits.

6.2 Personal Tax Credit receivables

	Note	2013-14 £m	Restated* 2012-13 £m
Receivables as at 1 April		**5,652.7**	**4,013.5**
Adjustment to prior year finalisation estimate		(206.7)	760.2
Estimated overpayment of awards prior to finalisation[1]		975.0	900.0
Overpayments identified from change of circumstances in year		1,161.0	1,063.7
Recoveries made		(921.4)	(762.9)
Remissions/Write-offs		(174.8)	(321.8)
Receivables as at 31 March		**6,485.8**	**5,652.7**
Provision for impairment for receivables		(4,095.8)	(3,722.1)
Net	16	**2,390.0**	**1,930.6**
Of which:			
Amounts falling due within one year		922.5	716.2
Amounts falling due after more than one year		1,467.5	1,214.4
Total		**2,390.0**	**1,930.6**

[1] The range of the estimate is £750m to £1,200m (2012-13: £800m to £1,000m).

Remissions and write-offs in 2013-14 include £10.7m (2012-13: £10.1m) written-off in respect of organised fraud identified during the year. For further details on the actions the Department is taking to meet its published targets on Personal Tax Credit fraud, please see pages 54-55 of this publication.

6.3 Personal Tax Credits error and fraud

HMRC measures the overall level of error and fraud by investigating a random sample of finalised awards, although because of the design of the tax credits scheme this cannot be completed until after claimants have finalised their awards for the preceding year. Some claimants, such as those taxpayers included within Self Assessment, may not finalise their awards for the preceding year until 31 January.

In June 2014, HMRC completed its testing on finalised awards for 2012-13, based on a random sample of some 3,390 enquiries. As a result, HMRC estimates that error and fraud resulted in overpayments of between £1.82 billion and £2.19 billion (6.3 per cent to 7.6 per cent of the final award by value) being paid to claimants to which they were not entitled. In addition, HMRC estimates that error resulted in underpayments to claimants of between £0.07 billion and £0.32 billion (0.3 per cent to 1.1 per cent of the final award by value) to which they were entitled.

6.4 Corporation Tax Reliefs

	2013-14 £m			2012-13 £m		
	Negative Taxation	Payments of Entitlement	Total	Negative Taxation	Payments of Entitlement	Total
Research & Development Tax Credits - Large Companies "Above the Line" (ATL)[2]	264.1	451.1	715.2	-	-	-
Research & Development Tax Credits - Small & Medium Enterprises	319.9	232.6	552.5	237.1	206.8	443.9
Film Tax Relief	-	287.0	287.0	-	252.0	252.0
High-end TV Tax Relief[2]	-	14.8	14.8	-	-	-
Animation Tax Relief[2]	-	12.3	12.3	-	-	-
Land Remediation Relief	25.9	5.1	31.0	24.6	6.3	30.9
Vaccine Research Relief	2.6	-	2.6	2.5	-	2.5
Enhanced Capital Allowance	-	-	-	-	-	-
Total	**612.5**	**1,002.9**	**1,615.4**	**264.2**	**465.1**	**729.3**

[2] These reliefs were introduced in 2013-14.

**Certain prior year figures have been restated as per note 25.*

7. Income

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Administration services	(66.9)	(65.0)	(60.5)	(58.5)
Banking services	(15.6)	(15.6)	(16.0)	(16.0)
Other income types	(20.7)	(22.6)	(21.4)	(23.2)
Subscriptions and fees	(16.7)	(16.6)	(18.0)	(18.0)
IT and telephony charges	(6.2)	(6.2)	(6.0)	(6.0)
VOA services	-	(186.3)	-	(182.2)
	(126.1)	**(312.3)**	**(121.9)**	**(303.9)**
Of which:				
Administration income	(68.5)	(66.6)	(59.6)	(56.0)
Programme income	(57.6)	(245.7)	(62.3)	(247.9)
Total	**(126.1)**	**(312.3)**	**(121.9)**	**(303.9)**

Of total operating income received, the following relates to services provided to external and public sector customers where full cost exceeds £1.0m. In each case the financial objective is to recover the full costs of the service. This information is only provided for fees and charges purposes, and not for IFRS 8 purposes.

	2013-14 £m			2012-13 £m		
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
Fees and charges raised by the Valuation Office Agency (VOA)						
Rating and Council Tax	(153.1)	152.3	0.8	(150.5)	150.6	(0.1)
National and Central Services	(11.9)	11.9	-	(11.6)	10.9	0.7
Commercial Services	(16.0)	16.1	(0.1)	(16.1)	14.8	1.3
Local Housing Allowances and Fair Rents	(15.0)	14.7	0.3	(13.8)	13.5	0.3
Fees and charges raised by the Core Department						
International assistance[1]	(0.4)	0.7	(0.3)	(0.6)	1.0	(0.4)
Money Laundering Regime	(7.6)	7.4	0.2	(7.5)	7.4	0.1
Bank charges via GBS	(15.3)	13.7	1.6	(15.7)	13.3	2.4
National Minimum Wage	(7.3)	7.3	-	(7.2)	7.2	-
Collection of Student Loans	(4.7)	5.7	(1.0)	(6.0)	5.6	0.4
DWP Welfare Reform Agenda	(2.4)	2.4	-	(3.3)	3.3	-
Services provided to VOA	(3.3)	3.3	-	(3.6)	3.6	-
UK Border Agency	(20.6)	20.6	-	(27.2)	27.2	-
The Child Maintenance Service	(0.5)	0.5	-	(1.5)	1.5	-
Civil Service Resourcing	(25.2)	24.0	1.2	(14.1)	13.7	0.4
Accommodation recharges	(5.0)	5.6	(0.6)	(5.2)	5.2	-
Single Tier Pension Reform	(3.2)	3.2	-	-	-	-
Scotland Act Implementation[2]	(1.0)	1.0	-	-	-	-
Total	**(292.5)**	**290.4**	**2.1**	**(283.9)**	**278.8**	**5.1**

[1] For this service it is not the financial objective to recover the full costs.

[2] Scotland Act Implementation income covers recovery of charges from the Scottish Government in respect of additional costs incurred by HMRC of £0.8m Scottish Rate of Income Tax (SRIT) and £0.2m Stamp Duty Land Tax. The SRIT element of the income consists of £788k staff costs and £3k IT costs.

8. Property, plant and equipment

	Land[1]	Buildings[1]	Accommodation refurbishments[1]	Office & computer equipment	Vehicles	Furniture & fittings	Assets under construction	Scientific Aids	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation									
At 1 April 2013	28.9	496.8	162.1	275.8	14.4	55.0	22.9	6.3	1,062.2
Additions	-	-	-	18.8	4.9	1.8	26.2	0.7	52.4
Disposals	-	(29.2)	(11.9)	(22.5)	(0.1)	(4.7)	-	(0.7)	(69.1)
Impairments	-	-	-	(0.1)	-	(0.3)	-	-	(0.4)
Reclassifications	-	-	14.5	11.4	-	0.3	(26.0)	(0.2)	-
Revaluations[2]	-	-	-	-	-	(0.1)	-	-	(0.1)
At 31 March 2014	**28.9**	**467.6**	**164.7**	**283.4**	**19.2**	**52.0**	**23.1**	**6.1**	**1,045.0**
Depreciation									
At 1 April 2013	-	(243.9)	(87.4)	(209.5)	(7.7)	(26.1)	-	(2.7)	(577.3)
Charged in year	-	(19.9)	(12.9)	(29.7)	(1.9)	(3.6)	-	(1.5)	(69.5)
Disposals	-	28.5	10.8	22.1	0.1	3.8	-	0.8	66.1
Impairments	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations[2]	-	-	-	-	-	-	-	-	-
At 31 March 2014	**–**	**(235.3)**	**(89.5)**	**(217.1)**	**(9.5)**	**(25.9)**	**–**	**(3.4)**	**(580.7)**
Carrying amount at 31 March 2013	**28.9**	**252.9**	**74.7**	**66.3**	**6.7**	**28.9**	**22.9**	**3.6**	**484.9**
Carrying amount at 31 March 2014	**28.9**	**232.3**	**75.2**	**66.3**	**9.7**	**26.1**	**23.1**	**2.7**	**464.3**
Asset financing:									
Owned	28.9	-	75.2	38.6	9.7	26.1	23.1	2.7	204.3
Finance leased	-	-	-	27.7	-	-	-	-	27.7
On-Statement of Financial Position PFI contracts	-	232.3	-	-	-	-	-	-	232.3
Carrying amount at 31 March 2014	**28.9**	**232.3**	**75.2**	**66.3**	**9.7**	**26.1**	**23.1**	**2.7**	**464.3**
Of the total:									
Core Department	28.9	232.1	73.5	63.6	9.7	23.8	21.2	2.7	455.5
Valuation Office Agency	-	0.2	1.7	2.7	-	2.3	1.9	-	8.8
Carrying amount at 31 March 2014	**28.9**	**232.3**	**75.2**	**66.3**	**9.7**	**26.1**	**23.1**	**2.7**	**464.3**
Cost or valuation									
At 1 April 2012	28.9	522.2	164.9	277.8	15.8	56.1	10.6	6.7	1,083.0
Additions	-	-	-	9.5	0.3	2.1	20.1	0.7	32.7
Disposals	-	(25.4)	(6.1)	(20.7)	(1.7)	(3.6)	-	(1.7)	(59.2)
Impairments	-	-	-	-	-	-	-	-	-
Reclassifications[3]	-	-	3.3	9.2	-	0.4	(7.5)	0.6	6.0
Revaluations[2]	-	-	-	-	-	-	(0.3)	-	(0.3)
At 31 March 2013	**28.9**	**496.8**	**162.1**	**275.8**	**14.4**	**55.0**	**22.9**	**6.3**	**1,062.2**

	Land[1]	Buildings[1]	Accommodation refurbishments[1]	Office & computer equipment	Vehicles	Furniture & fittings	Assets under construction	Scientific Aids	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Depreciation									
At 1 April 2012	-	(237.1)	(80.2)	(194.8)	(7.2)	(24.8)	-	(2.8)	(546.9)
Charged in year	-	(21.9)	(12.4)	(35.1)	(2.0)	(3.6)	-	(1.6)	(76.6)
Disposals	-	15.1	5.2	20.4	1.5	2.3	-	1.7	46.2
Impairments	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations[2]	-	-	-	-	-	-	-	-	-
At 31 March 2013	**–**	**(243.9)**	**(87.4)**	**(209.5)**	**(7.7)**	**(26.1)**	**–**	**(2.7)**	**(577.3)**
Carrying amount at 31 March 2012	**28.9**	**285.1**	**84.7**	**83.0**	**8.6**	**31.3**	**10.6**	**3.9**	**536.1**
Carrying amount at 31 March 2013	**28.9**	**252.9**	**74.7**	**66.3**	**6.7**	**28.9**	**22.9**	**3.6**	**484.9**
Asset financing:									
Owned	28.9	-	74.7	33.3	6.7	28.9	22.9	3.6	199.0
Finance leased	-	-	-	33.0	-	-	-	-	33.0
On-Statement of Financial Position PFI contracts	-	252.9	-	-	-	-	-	-	252.9
Carrying amount at 31 March 2013	**28.9**	**252.9**	**74.7**	**66.3**	**6.7**	**28.9**	**22.9**	**3.6**	**484.9**
Of the total:									
Core Department	28.9	252.5	72.7	62.6	6.7	26.5	22.1	3.6	475.6
Valuation Office Agency	-	0.4	2.0	3.7	-	2.4	0.8	-	9.3
Carrying amount at 31 March 2013	**28.9**	**252.9**	**74.7**	**66.3**	**6.7**	**28.9**	**22.9**	**3.6**	**484.9**

1 See note 1.6.2 for the accounting policy for property assets.
2 See notes 1.1 and 1.6 for the accounting policy regarding revaluation of property, plant and equipment.
3 See note 9.

Freehold land and buildings 100 Parliament Street

A full valuation was undertaken in March 2012 on the basis of existing use. Valuations were performed by the Valuation Office Agency, an executive agency of HM Revenue & Customs, whose services include providing valuation and estate surveying services to government departments.

Leased land and buildings

The accounting treatment adopted by HM Revenue & Customs accords with International Accounting Standards. Leased buildings have been brought onto the Department's Consolidated Statement of Financial Position where applicable, whilst leased land remains as an operating lease. The buildings have been valued by the Valuation Office Agency, an executive agency of HM Revenue & Customs, whose services include providing valuation and estate surveying services to government departments.

9. Intangible assets

	Licences	Software	Website development	Assets under construction	Total
	£m	£m	£m	£m	£m
Cost or valuation					
At 1 April 2013	34.7	2,476.6	5.0	143.5	2,659.8
Additions	3.1	0.4	-	181.2	184.7
Disposals	(6.4)	(78.4)	-	-	(84.8)
Impairments	-	(3.0)	-	-	(3.0)
Reclassifications	1.0	162.0	1.5	(164.5)	-
Revaluation[1]	-	38.3	-	-	38.3
At 31 March 2014	**32.4**	**2,595.9**	**6.5**	**160.2**	**2,795.0**
Amortisation					
At 1 April 2013	(28.2)	(1,436.1)	(0.6)	-	(1,464.9)
Charged in year	(3.9)	(196.7)	(0.7)	-	(201.3)
Disposals	6.4	77.8	-	-	84.2
Impairments	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluation[1]	-	(20.2)	-	-	(20.2)
At 31 March 2014	**(25.7)**	**(1,575.2)**	**(1.3)**	**–**	**(1,602.2)**
Carrying amount at 31 March 2013	**6.5**	**1,040.5**	**4.4**	**143.5**	**1,194.9**
Carrying amount at 31 March 2014	**6.7**	**1,020.7**	**5.2**	**160.2**	**1,192.8**
Asset financing:					
Owned	4.8	1,020.6	5.2	160.2	1,190.8
Finance leased	-	-	-	-	-
On-Statement of Financial Position PFI contracts	1.9	0.1	-	-	2.0
Carrying amount at 31 March 2014	**6.7**	**1,020.7**	**5.2**	**160.2**	**1,192.8**
Of the total:					
Core Department	6.7	1,004.6	5.2	156.1	1,172.6
Valuation Office Agency	-	16.1	-	4.1	20.2
Carrying amount at 31 March 2014	**6.7**	**1,020.7**	**5.2**	**160.2**	**1,192.8**
Cost or valuation					
At 1 April 2012	36.5	2,273.1	2.0	162.6	2,474.2
Additions	0.9	1.9	-	169.7	172.5
Disposals	(2.7)	(16.1)	-	-	(18.8)
Impairments	-	(1.4)	-	-	(1.4)
Reclassifications[2]	-	179.3	3.0	(188.3)	(6.0)
Revaluation[1]	-	39.8	-	(0.5)	39.3
At 31 March 2013	**34.7**	**2,476.6**	**5.0**	**143.5**	**2,659.8**

	Licences	Software	Website development	Assets under construction	Total
	£m	£m	£m	£m	£m
Amortisation					
At 1 April 2012	(26.4)	(1,241.8)	(0.2)	-	(1,268.4)
Charged in year	(4.5)	(188.8)	(0.4)	-	(193.7)
Disposals	2.7	15.9	-	-	18.6
Impairments	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluation[1]	-	(21.4)	-	-	(21.4)
At 31 March 2013	**(28.2)**	**(1,436.1)**	**(0.6)**	**–**	**(1,464.9)**
Carrying amount at 31 March 2012	**10.1**	**1,031.3**	**1.8**	**162.6**	**1,205.8**
Carrying amount at 31 March 2013	**6.5**	**1,040.5**	**4.4**	**143.5**	**1,194.9**
Asset financing:					
Owned	6.0	1,039.9	4.4	143.5	1,193.8
Finance leased	-	-	-	-	-
On-Statement of Financial Position PFI contracts	0.5	0.6	-	-	1.1
Carrying amount at 31 March 2013	**6.5**	**1,040.5**	**4.4**	**143.5**	**1,194.9**
Of the total:					
Core Department	6.5	1,020.5	4.4	142.9	1,174.3
Valuation Office Agency	-	20.0	-	0.6	20.6
Carrying amount at 31 March 2013	**6.5**	**1,040.5**	**4.4**	**143.5**	**1,194.9**

[1] See notes 1.1 and 1.8 for the accounting policy regarding revaluation of intangible assets.
[2] See note 8.

10. Impairments

The Core Department has identified a number of impairments in 2013-14 in respect of discontinued IT software & IT hardware projects, and reduction in service potential on certain antiques, artefacts and artwork assets.

		Impairment taken through the Revaluation Reserve £m		Impairment charged to the Consolidated Statement of Comprehensive Net Expenditure £m	
	Note	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Property, plant and equipment	8	-	-	-	-
Intangible assets	9	-	-	3.4	3.4
Impairment charged for the year ended 31 March 2014		**-**	**-**	**3.4**	**3.4**

			£m		£m
		Core Department	Core Department and Agency	Core Department	Core Department and Agency
Property, plant and equipment	8	-	-	-	-
Intangible assets	9	-	-	1.4	1.4
Impairment charged for the year ended 31 March 2013		**-**	**-**	**1.4**	**1.4**

11. Capital and other commitments

11.1 Capital commitments

The majority of capital commitments relate to the future cost of the development work raised under the IT service contract with ASPIRE.

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Contracted capital commitments at 31 March not otherwise included in these financial statements				
Property, plant and equipment	2.7	3.6	4.5	4.6
Intangible assets	118.8	118.8	159.2	159.2
	121.5	**122.4**	**163.7**	**163.8**

11.2 Commitments under leases

11.2.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below. The buildings payments relate to property leased by

Mapeley from third-party landlords on behalf of the Department; property leased by the Department direct from private landlords and the minor occupation of other government department buildings. The property leases vary in length and the Department has no right of purchase at the end of the contract but would re-negotiate leases where continued occupation is desired. The properties have been assessed against IAS 17 *Leases* and determined as operating leases and therefore the associated commitments have been recorded in this note.

The other commitments relate to a number of IT and vehicle leasing contracts. These include a contract for the management of the Customs Handling of Import Export Freight system (CHIEF) which is a data capture and validation system for international trade movements. The CHIEF contract runs for five years to 31 January 2015 with an option to extend the contract by up to three years. Other commitments also include a contract with Inchcape Fleet Solutions (IFS) for the fleet management including service, maintenance and repair of motor vehicles over a four year period with a renewal option of a further two years. IFS also provide 20 per cent of the Department's leased vehicles under this contract. There are no purchase options within the lease agreements. There are options to both informally and formally extend each lease agreement. There are no specific escalation clauses relating to the lease agreements. The remaining vehicles leased by the Department are via a contract with Lex Autolease, again there are no purchase options within the lease agreements but there are options to formally extend each of the lease agreements. The payment of these lease costs to Lex Autolease go via IFS, our fleet management supplier.

	2013-14 £m		Restated* 2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Obligations under operating leases for the following periods comprise:				
Land and Buildings				
Not later than one year	98.3	108.3	100.0	109.7
Later than one year and not later than five years	379.4	390.4	383.5	392.7
Later than five years	224.5	224.9	271.7	271.8
	702.2	**723.6**	**755.2**	**774.2**
Other				
Not later than one year	9.0	9.1	9.8	9.9
Later than one year and not later than five years	1.4	1.4	9.5	9.5
Later than five years	-	-	-	-
	10.4	**10.5**	**19.3**	**19.4**

**Certain prior year figures have been restated upon receipt of updated information.*

11.2.2 Finance leases

The following commitments are in respect of assets that have been brought onto the Department's Consolidated Statement of Financial Position (SoFP) under IAS 17. Total finance lease charges are given in the table below. The buildings payments relate to property leased by Mapeley from third-party landlords on behalf of the Department and property leased by the Department direct from private landlords. The Department does provide services for some contracts which are treated as finance leases. The property leases vary in length and the Department has no right of purchase at the end of the contract but would re-negotiate leases where continued occupation is desired.

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Obligations under finance leases for the following periods comprise:				
Buildings				
Not later than one year	3.9	3.9	3.9	3.9
Later than one year and not later than five years	15.6	15.6	15.7	15.7
Later than five years	9.0	9.0	12.9	12.9
	28.5	**28.5**	**32.5**	**32.5**
Less interest element	**(7.8)**	**(7.8)**	**(9.7)**	**(9.7)**
Present value of obligations	**20.7**	**20.7**	**22.8**	**22.8**

11.2.3 Finance leases – Consolidated Statement of Comprehensive Net Expenditure – future commitments

The payments to which the Department is committed in relation to finance leases are detailed in the table below.

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Buildings				
Not later than one year	5.4	5.4	6.3	6.3
Later than one year and not later than five years	19.7	19.7	21.6	21.6
Later than five years	7.4	7.4	12.9	12.9
	32.5	**32.5**	**40.8**	**40.8**

11.3 Commitments under PFI and other service concession arrangements

11.3.1 Off-Statement of Financial Position

The Department has no off-Statement of Financial Position PFI contracts.

11.3.2 On-Statement of Financial Position

The following commitments are in respect of assets that have been brought onto the Department's Statement of Financial Position (SoFP) under IAS 17 and IFRIC 12 *Service Concession Arrangements*. They comprise commitments relating to the STEPS contract (Mapeley-owned) freehold and historic leasehold properties, Newcastle Estates Partnership (NEP) held with DWP, the building known as 100 Parliament Street and two further property PFI arrangements with contractors. They also include commitments for IT assets owned by Capgemini and Fujitsu to deliver the IT service contract.

The STEPS contract is subjected to annual RPI movements and adjustments for index efficiencies. There is no automatic right of renewal for the STEPS contract at the expiry of the agreement on 2 April 2021; but the contract provides for new market lease terms to be agreed if required, giving the Department continued rights of occupation in HMRC's former freehold and historic leasehold estate beyond contract expiry. Options for termination of the contract include default (without compensation) and termination for convenience (with compensation).

The NEP contract is subject to an annual uplift in January in relation to the Availability Charge (i.e. rent) and a further annual uplift relating to the Condition Payment (service charge) in April. Whilst there is a phased building specific expiry arrangement concluding October 2029, the contract contains options to extend the occupancy of buildings which can be exercised three years before the expiry of building occupancy agreements via negotiation with the landlord. There are a number of options to terminate the contract which include voluntary termination giving 12 months notice with compensation, termination for Force Majeure, termination for default without compensation and finally contractor insolvency.

The IT contract was originally for a ten year period commencing on 1 July 2004. The contract incorporated an option to extend it up to a further eight years. In 2007 the Department exercised the option to extend it for a further three years to 30 June 2017 in return for achieving certain pricing reductions.

The substance of each contract is that the Department has a finance lease and that payments comprise two elements - finance lease charges and service charges.

The details of the imputed finance lease charges are given in the table below for each of the following periods:

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Rentals due within one year	62.0	62.0	72.5	72.5
Rentals due later than one year and not later than five years	198.3	198.6	199.3	199.7
Rentals due later than five years	427.2	427.3	469.8	470.2
	687.5	**687.9**	**741.6**	**742.4**
Less interest element	(348.4)	(348.6)	(384.8)	(385.2)
Present value of obligations	**339.1**	**339.3**	**356.8**	**357.2**

Details of the minimum service charge are given in the table below for each of the following periods:

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Service charge due within one year	528.2	528.3	513.2	513.3
Service charge due later than one year and not later than five years	1,219.3	1,219.4	1,614.9	1,615.3
Service charge due later than five years	524.9	525.0	588.7	589.0
	2,272.4	**2,272.7**	**2,716.8**	**2,717.6**

11.3.3 Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

The total amount charged in the Consolidated Statement of Comprehensive Net Expenditure in respect of on-Statement of Financial Position PFI and other service concession arrangement transactions (there were no off-Statement of Financial Position transactions) was £662.1m[1] (2012-13: £639.0m) and the payments to which the Department is committed are detailed in the table below.

[1] This amount is included within the figures reported in note 4 and note 5 as PPP and PFI service charges.

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Not later than one year	565.2	565.3	552.0	552.2
Later than one year and not later than five years	1,342.8	1,343.0	1,745.6	1,746.3
Later than five years	712.9	713.0	804.0	804.4
	2,620.9	**2,621.3**	**3,101.6**	**3,102.9**

11.4 Other financial commitments

The Department has not entered into any non-cancellable contracts (which are not leases or PFI contracts) during 2013-14.

12. Financial Instruments

The following disclosures are made to allow users of the Department's financial statements to evaluate the nature and extent of risks arising from financial instruments to which the Department is exposed at the reporting date.

The risks considered are credit risk (the risk of default by a counter-party receivable), liquidity risk (the risk that the Department will not be able to discharge its financial obligations) and market risk (the risk of loss from fluctuations in market prices).

As the cash requirements of the Department are largely met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit or market risk. The Department does not face a liquidity risk as its operations, including benefits payments, are financed by the Exchequer.

12.a Credit risk

Due to the nature of trade and other receivables, the Department views the credit risk associated with these receivables as negligible.

12.b Liquidity risk

The Department does not face a liquidity risk as it is financed by the Exchequer.

12.c Market risk

Market risk includes currency risk and interest rate risk. The Department is exposed to negligible currency risk and does not face an interest rate risk as it has no investments or borrowings and its operations are financed by the Exchequer.

12.d Collateral and other credit enhancements obtained

The Department holds no collateral or other credit enhancement in respect of its financial assets.

12.e Embedded derivatives

The Department has conducted a review of all its material contracts and has concluded that there are no separable material embedded derivatives which require disclosure.

12.f Fair value

The value of financial assets and financial liabilities carried at amortised cost is deemed to be a reasonable approximation of their fair value. In respect of Personal Tax Credit receivables, these have not been discounted to present value as it has been concluded that the effect would not be material and there is fundamental uncertainty in the estimate of future inflows which would make any such discounting insufficiently reliable. Further information in relation to Personal Tax Credits can be seen in note 1.3.1, note 6 and note 16. Assumptions on the recoverability of receivable balances are reviewed on an annual basis and appropriate adjustments for impairment are made.

13. Investments in other public sector bodies

The Department holds no loans, Public Dividend Capital or other interests in public bodies outside the Departmental boundary.

14. Inventories

The value of the inventories detailed below relates entirely to the Valuation Office Agency. Full details can be found within the Valuation Office Agency account that can be viewed at www.voa.gov.uk.

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Inventories	-	2.2	-	2.0
	-	**2.2**	**-**	**2.0**

15. Cash and cash equivalents

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Balance 1 April	12.0	24.4	29.9	48.3
Net change in cash and cash equivalent balances	(7.5)	(1.8)	(17.9)	(23.9)
Balance at 31 March	**4.5**	**22.6**	**12.0**	**24.4**
The following balances at 31 March were held at:				
Government Banking Service	3.6	21.7	10.9	23.3
Commercial banks and cash in hand	0.9	0.9	1.1	1.1
Balance at 31 March	**4.5**	**22.6**	**12.0**	**24.4**

16. Trade receivables, financial and other assets

	2013-14 £m		Restated* 2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Amounts falling due within one year:				
Trade receivables	-	5.2	-	4.1
Deposits and advances	21.7	20.3	32.0	31.0
Value added tax	17.3	17.3	22.1	22.1
Other receivables - excluding Child Benefit, CTF and Tax Credits[1]	5.1	4.8	6.0	5.7
Other receivables - Child Benefit and CTF[2]	26.8	26.8	22.7	22.7
Other receivables - Personal Tax Credits[3]	922.5	922.5	716.2	716.2
Prepayments and accrued income - excluding Child Benefit, CTF and Tax Credits	20.3	21.4	93.7	95.0
Prepayments and accrued income - Child Benefit and CTF	35.7	35.7	40.5	40.5
	1,049.4	**1,054.0**	**933.2**	**937.3**
Amounts falling due after more than one year:				
Trade receivables	-	-	-	-
Other receivables - Personal Tax Credits[3]	1,467.5	1,467.5	1,214.4	1,214.4
	1,467.5	**1,467.5**	**1,214.4**	**1,214.4**

1 This figure is net of provision for impairment amounting to Core: £17.5m, Consolidated: £17.8m (2012-13: Core: £19.3m, Consolidated: £19.5m)
2 This figure is net of provision for impairment amounting to Core: £13.0m (2012-13: Core: £13.8m)
3 This figure is net of provision for impairment amounting to Core: £4,095.8m (2012-13: Core: £3,722.1m) (see note 6).

16.1 Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013-14 £m	Restated* 2012-13 £m	2013-14 £m	Restated* 2012-13 £m
Balances with other central government bodies	36.2	57.9	-	-
Balances with local authorities	37.7	38.7	-	-
Balances with NHS bodies	0.7	0.6	-	-
Balances with public corporations and trading funds	-	0.1	-	-
Subtotal: intra-government balances	74.6	97.3	-	-
Balances with bodies external to government	979.4	840.0	1,467.5	1,214.4
Total receivables at 31 March	**1,054.0**	**937.3**	**1,467.5**	**1,214.4**

**Certain prior year figures have been restated as per note 25.*

17. Trade payables and other current liabilities

	2013-14 £m		Restated* 2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Amounts falling due within one year:				
Other taxation and social security	(39.1)	(39.1)	(41.6)	(41.6)
Trade payables	(51.9)	(53.9)	(71.2)	(71.3)
Other payables - excluding Child Benefit, CTF and Tax Credits	(2.2)	(2.2)	(0.8)	(0.8)
Other payables - Child Benefit and CTF	(14.3)	(14.3)	(8.7)	(8.7)
Other payables - Personal Tax Credits	(791.6)	(791.6)	(712.9)	(712.9)
Accruals and deferred income excluding Child Benefit, CTF and Tax Credits	(390.1)	(407.4)	(314.3)	(332.0)
Accruals and deferred income - Child Benefit and CTF	(208.8)	(208.8)	(282.4)	(282.4)
Accruals - Personal Tax Credits	-	-	-	-
Accruals - Corporation Tax Reliefs	(1,150.0)	(1,150.0)	(488.8)	(488.8)
IT PPP payables	(17.4)	(17.4)	(21.0)	(21.0)
Accommodation PFI payables	(10.4)	(10.4)	(14.3)	(14.3)
Accommodation non-PFI payables	(2.2)	(2.2)	(0.4)	(0.4)
Amounts issued from the Consolidated Fund for Supply but not spent at year end	(4.4)	(22.5)	(11.9)	(24.3)
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund				
received	(0.1)	(0.1)	(0.1)	(0.1)
receivable	-	-	-	-
	(2,682.5)	**(2,719.9)**	**(1,968.4)**	**(1,998.6)**
Amounts falling due after more than one year:				
Other payables, accruals and deferred income	-	-	-	-
IT PPP payables	(20.2)	(20.3)	(18.5)	(18.9)
Accommodation PFI payables	(296.2)	(296.2)	(320.5)	(320.5)
Accommodation non-PFI payables	(18.5)	(18.5)	(4.9)	(4.9)
	(334.9)	**(335.0)**	**(343.9)**	**(344.3)**

17.1 Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013-14 £m	Restated* 2012-13 £m	2013-14 £m	2012-13 £m
Balances with other central government bodies	(102.5)	(123.0)	-	-
Balances with local authorities	-	(29.0)	-	-
Balances with NHS bodies	-	-	-	-
Balances with public corporations and trading funds	(4.6)	(4.7)	-	-
Subtotal: intra-government balances	(107.1)	(156.7)	-	-
Balances with bodies external to government	(2,612.8)	(1,841.9)	(335.0)	(344.3)
Total payables at 31 March	**(2,719.9)**	**(1,998.6)**	**(335.0)**	**(344.3)**

**Certain prior year figures have been restated as per note 25.*

18. Provisions for liabilities and charges

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Balance at 1 April	**(126.3)**	**(129.6)**	**(162.6)**	**(168.8)**
Provided in the year	(36.0)	(36.8)	(32.0)	(32.5)
Provisions not required written back	17.9	17.9	30.6	31.7
Provisions utilised in the year	31.1	33.4	39.2	41.6
Borrowing costs (Unwinding of discounts)	(1.2)	(1.3)	(1.5)	(1.6)
Balance at 31 March	**(114.5)**	**(116.4)**	**(126.3)**	**(129.6)**

Analysis of expected timing of discounted flows

	2013-14 £m		2012-13 £m	
	Core Department	Core Department and Agency	Core Department	Core Department and Agency
Not later than one year	(78.9)	(80.0)	(63.4)	(65.4)
Later than one year and not later than five years	(35.0)	(35.8)	(60.8)	(62.0)
Later than five years	(0.6)	(0.6)	(2.1)	(2.2)
Balance at 31 March	**(114.5)**	**(116.4)**	**(126.3)**	**(129.6)**

	Early departure costs £m	Child Trust Fund £m	Legal claims £m	Accommodation costs £m	Other £m	Total £m
Not later than one year	(19.0)	(1.0)	(54.4)	(0.7)	(4.9)	(80.0)
Later than one year and not later than five years	(26.9)	-	(8.2)	-	(0.7)	(35.8)
Later than five years	(0.4)	-	-	-	(0.2)	(0.6)
Balance at 31 March	**(46.3)**	**(1.0)**	**(62.6)**	**(0.7)**	**(5.8)**	**(116.4)**

18.1 Early departure costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts monthly to the PCSPS paying agent over the period between the early departure date and normal retirement date. The Department has provided for this in full at the point when the early retirement programme became binding by establishing a provision for the estimated payments, discounting by the HM Treasury discount rate of 1.8 per cent in real terms, and updated annually to reflect the unwinding of the discount.

18.2 Child Trust Fund

Child Trust Fund (CTF) endowments; eligibility to which ceased on 3 January 2011, provided assistance with the funding on long-term individual savings and investment accounts provided by approved financial institutions. A provision of £3.6m was retained in 2012-13 for general CTF payments amounts forecast to become payable in respect of children qualifying for CTF endowments. Utilisations in 2013-14 total £0.2m (2012-13: £0.5m).

18.3 Legal claims

A provision of £62.6m (2012-13: £47.3m) has been made for costs relating to various legal claims against the Department. The provision reflects all known claims, in excess of the de minimis limit for reporting of £0.1m, where legal advice indicates that it is probable that the claim will be successful and the amount of the claim can be reliably estimated. Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 20.

18.4 Accommodation costs

A provision of £0.7m has been made (2012-13: £2.5m) for buildings related claims giving rise to probable liabilities under tenancy agreements and for personal injury claims relating to HMRC estate where the amount of the claims can be reliably estimated. Claims, which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 20.

18.5 Other

Provisions relating to various other claims against the Department amount to £5.8m (2012-13: £7.5m).

19. Pension liability

The Valuation Office Agency merged with The Rent Service on 1 April 2009, taking on staff who are members of the Local Government Pension Scheme. The pension assets and liabilities, part of the Local Government Pension Scheme are reflected in the Consolidated Statement of Financial Position (see page 116).

Further information can be found within the Valuation Office Agency accounts (HC 96) that can be viewed at www.voa.gov.uk.

20. Contingent liabilities

The Department has the following quantifiable contingent liabilities:

- Shipbuilders' Relief - a contingent liability of £18.9m (2012-13: £19.8m) exists for potential future claims against the Department. This relief is disclosed as a contingent liability as when a contract to build a vessel is signed it creates a possible obligation that will only be satisfied if two future events occur
- Legal claims - a contingent liability of £60.3m (2012-13: £69.6m) exists for costs that may be awarded should various legal cases in which HMRC is involved be determined against the department. The contingent liability covers all such cases where the outcome is unknown or cannot be estimated reliably
- Compensation - potential liability in relation to a Missing Trader Intra Community fraud case totalling £3.3m (2012-13: £9.7m)
- Guaranteed costs - possible liability where appointed liquidators have been guaranteed payment of their costs with a view to recovery of outstanding tax liabilities £1.0m, 94 cases (2012-13: £1.0m, 108 cases)
- The Department has a further number of contingent liabilities amounting to £6.6m (2012-13: £4.8m).

In addition to contingent liabilities reported within the meaning of IAS 37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament. These costs are reproduced in the table below.

	1 April 2013	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2014	Amount reported to Parliament by Departmental Minute
	£m	£m	£m	£m	£m	£m
Guarantees	-	-	-	-	-	-
Indemnities	3.8	5.3	-	(1.1)	8.0	-
Letters of Comfort	-	-	-	-	-	-

The Department has not entered into any unquantifiable contingent liabilities.

21. Losses and special payments

21.1 Losses statement

	2013-14				2012-13			
	Core Department		Core Department and Agency		Core Department		Core Department and Agency	
	Cases	£m	*Cases*	£m	*Cases*	£m	*Cases*	£m
Losses are made up of:								
Personal Tax Credits remissions	*2,451,742*	136.2	*2,451,742*	136.2	*2,680,688*	290.6	*2,680,688*	290.6
Personal Tax Credits write-offs	*29,101*	38.6	*29,101*	38.6	*19,935*	31.2	*19,935*	31.2
Child Benefit irrecoverable overpayments	*38,659*	10.6	*38,659*	10.6	*53,206*	16.8	*53,206*	16.8
Law costs remissions	*14,478*	1.4	*14,478*	1.4	*18,277*	1.7	*18,277*	1.7
Others	*982*	1.7	*1,016*	1.8	*1,063*	1.5	*1,093*	1.5
Total	***2,534,962***	**188.5**	***2,534,996***	**188.6**	***2,773,169***	**341.8**	***2,773,199***	**341.8**

Details of cases over £300,000

Personal Tax Credits

There were no special exercises conducted during 2013-14, the £174.8m remitted/written-off was as a result of our business as usual processing activity.

Child Benefit

There were no special exercises conducted during 2013-14, the £10.6m remitted/written-off was as a result of our business as usual processing activity.

Other

£0.4m - Exchange rate loss in respect of currency conversion.

21.2 Special payments

	2013-14				2012-13			
	Core Department		Core Department and Agency		Core Department		Core Department and Agency	
	Cases	£m	*Cases*	£m	*Cases*	£m	*Cases*	£m
Payments and accruals	*21,805*	3.7	*21,865*	3.8	*8,853*	2.9	*8,902*	3.0

Details of cases over £300,000

There were none in this category during 2013-14.

22. Related-party transactions

The Department is the parent of the Valuation Office Agency. This body is regarded as a related-party with which the Department has had various material transactions during the year.

The Valuation Office Agency has had a significant number of material transactions with other government departments. Most of these transactions have been with the Department for Communities and Local Government, the Department for Work and Pensions and the Welsh Government.

In addition, the Department has had a small number of transactions with other government departments and other central government bodies.

No Board member, key manager or other related parties has undertaken any material transactions with the Department during the year.

23. Third-party assets

The Department holds Euro deposits in relation to European Commission (EC) Twinning Projects. For such projects it is common for the lead body to hold Euro funds on behalf of the EC. The funds are payable to other European Union (EU) member states as reimbursement for work undertaken in assisting EU candidate states in preparing for membership of the EU. The Department holds these funds as an agent of the EC.

Neither the Department nor the government generally have any beneficial interest in these funds. In 2013-14, all remaining funds were paid out in March 2014 leaving a nil balance. The values for 2012-13 are set out in the following table.

		2013-14		2012-13	
		Core Department	Core Department and Agency	Core Department	Core Department and Agency
Monies on deposit:					
Euro deposits - EC Twinning Projects	€	-	-	0.2m	0.2m

24. Entities within the Departmental boundary

The entities within the boundary during 2013-14 were as follows:

- Supply-financed agencies - Valuation Office Agency
- Non-departmental public bodies - None
- Others - None.

The Annual Report and Accounts of the Valuation Office Agency are published separately and can be viewed at www.voa.gov.uk.

25. Change in Personal Tax Credit reporting

In prior years the Department has followed the accounting policy of not recognising Personal Tax Credit payments until the awards are authorised following finalisation. This process, as described in note 1.3.1, is not complete until after the Account has been published and consequently there is uncertainty around the level of adjustments likely to arise. In 2012-13, the Department's statisticians provided an estimated range in which the finalisation adjustments were likely to fall and, in 2013-14, subsequently analysed the actual result against this range.

In 2013-14, the Department has changed its policy to include an estimate based on the mid-point of the range provided by our statisticians. As a result, the Personal Tax Credit values for the 2012-13 year have been restated using the estimate provided. The 2012-13 year is the earliest for which an estimate was available.

A summary of the impact of this change is shown in the table below:

Restatement of Consolidated Statement of Comprehensive Net Expenditure at 31 March 2013

	Previously published Resource at 31 March 2013	Net effect of inclusion of Personal Tax Credit Estimate for finalisation	Restated at 31 March 2013
	£m	£m	£m
Net operating cost	**46,720.6**	**(409.6)**	**46,311.0**

Restatement of Consolidated Statement of Financial Position at 31 March 2013

	Previously published Resource at 31 March 2013	Net effect of inclusion of Personal Tax Credit Estimate for finalisation	Restated at 31 March 2013
	£m	£m	£m
Net Assets	**942.8**	**409.6**	**1,352.4**
Changes consist of:			
Gross Personal Tax Credit receivables		900.0	
Provision for impairment of receivables		(462.4)	
Net receivables		437.6	
Payables		(28.0)	
		409.6	

26. Events after the reporting period date

There are no reportable non-adjusting events after the reporting period. The financial statements were authorised for issue by the Principal Accounting Officer on 25 June 2014.

Trust Statement

Contents

Principal Accounting Officer's Foreword to the Trust Statement

1. Introduction

The Trust Statement reports the revenues, expenditures, assets and liabilities related to the taxes and duties for the financial year 2013-14. The costs of running HMRC, payments of Child Benefit and payments of tax credits, are reported in the Departmental Resource Accounts (page 86).

2. Basis for the preparation of the Trust Statement

The HM Treasury accounts direction, issued under Section 2 of the Exchequer and Audit Departments Act 1921, requires HMRC to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocations of taxes and duties and the revenue income and expenditure and cash flows for the financial year. Regard shall be given to all relevant accounting and disclosure requirements given in *Managing Public Money* and other guidance issued by HM Treasury. This includes the Financial Reporting Manual and the principles underlying it as well as International Financial Reporting Standards (IFRS).

HMRC has worked closely with HM Treasury to ensure that the accounting policies that underpin these accounts are comprehensive and appropriate.

3. Selection of appropriate accounting policies for the Trust Statement and use of judgements and estimates

As Principal Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement (see notes 1 and 2). Areas where judgements and estimates are used are as follows:

3.1 Estimation of accrued revenue

The nature of tax legislation and our associated systems, mean that some of the accrued revenue receivable figures and some other items are subject to statistical estimation or forecasts. Because of the areas of uncertainty involved, there will inevitably be differences between our forecasts and future outturns. These differences arise because of the need to make judgements on areas of uncertainty and are not indicative of deficiencies in our models. We believe that the levels of variation are acceptable and this is verified each year by means of a validation exercise as more recent data becomes available. Since the implementation of Real Time Information there is less reliance on estimated figures for Pay As You Earn (PAYE). Further detail can be found in note 6.

3.2 Provision for liability

HMRC is engaged in legal proceedings with taxpayers across a range of disputes. The Department makes provision for these proceedings, which occur in the normal course of business, as summarised in note 8 'Provision for liabilities and contingent liabilities'. Provisions may vary in the event of further developments in proceedings, consistent with generally accepted accounting principles. Litigation is inherently unpredictable and, depending on the judgement of the relevant court, in some or all of these cases, there may be reductions in revenue and/or repayments of tax.

Provisions are made, after taking appropriate legal and other specialist advice, when a reasonable estimate can be made of the likely outcome of the dispute. At 31 March 2014 HMRC's aggregate provision was £8.5 billion (£8.0 billion at 31 March 2013). The ultimate liability may vary from the amounts provided and depends upon the outcome of litigation proceedings, investigations and possible settlement discussions.

Other cases, where it is probable that HMRC will be required to settle the obligation and is unable to estimate the amount reliably, or where it is possible that HMRC will be required to settle the obligation, are classed as contingent liabilities.

The HMRC litigation and settlement strategy is available on the HMRC website (www.hmrc.gov.uk/manuals/danspmanual/DANSP05000.htm). The aim of the strategy is to make sure that tax disputes are resolved in an efficient and even-handed way, consistent with the law.

4. Auditors

The Trust Statement is audited by the Comptroller and Auditor General under Section 2 of the Exchequer and Audit Departments Act 1921. The auditor's remuneration for this is included in HMRC's Resource Accounts.

No non-audit work was carried out by the auditors for HMRC.

So far as I am aware, there is no relevant audit information of which the auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

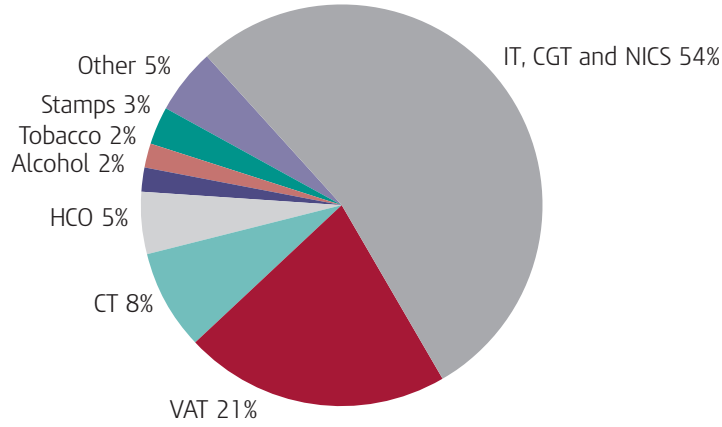
5. Financial Review

The financial review provides a commentary of HMRC's performance in tax and duty collection and explains movements in values when compared to prior years.

5.1 Total Revenue

This year has seen the highest ever reported accrued revenue of £505.8 billion, £30.2 billion more than last year. We have continued to help customers get their tax and payments right and further strengthened our grip on those who deliberately cheat the system through avoidance, evasion and non-payment. In addition, improvements in the economy have led to significant increases across the majority of taxes and duties.

Analysis of Total Accrued Revenue



Total revenue is shown before deduction of revenue losses, increase in impairments and the movement in the provision for liabilities provided in the year. To analyse revenue from taxes and duties after these changes, the Statement of Revenue and Expenditure should be viewed in conjunction with notes 7 and 8.

	2013-14 £ billion
Total Revenue	505.8
Revenue losses and increase in Impairments (note 7)	(5.5)
Movement in Provision for liabilities	(0.9)
Total Revenue less items noted above	**499.4**

5.2 Comparison by Tax type with explanations for significant movements

Income Tax, Capital Gains Tax and National Insurance Contributions (NICs)

Income Tax, Capital Gains Tax and NICs accounted for 54 per cent of total revenue at £272.7 billion; £16.2 billion (6.3 per cent) higher than in 2012-13. Economic improvement across most sectors, notably Financial and Business service sectors has resulted in higher receipts.

Value Added Tax

Value Added Tax accounted for 21 per cent of total revenue at £108.2 billion, being £7.2 billion (7.1 per cent) higher than 2012-13 with increases in revenue across a wide range of sectors due to a rise in consumer spending.

Corporation Tax

Corporation Tax accounted for 8 per cent of total revenue at £40.3 billion; £1.1 billion (2.8 per cent) higher than 2012-13.

Hydrocarbon Oils Duties

Hydrocarbon Oils accounted for 5 per cent of total revenue at £26.9 billion, £0.4 billion (1.5 per cent) higher than 2012-13. This increase is primarily due to a rise in consumption of diesel resulting from a reduction in pump prices earlier in the year.

Stamp Taxes

Stamp Taxes accounted for 3 per cent of total revenue at £12.9 billion; £3.4 billion (35.8 per cent) higher than 2012-13. This increase is primarily due to an increase in Stamp Duty Land Tax transactions and higher prices in both residential and commercial markets.

Alcohols

Alcohol Duties accounted for 2 per cent of total revenue at £10.4 billion, the highest on record, being £0.2 billion (2.0 per cent) higher than 2012-13. This increase is primarily due to duty rate rises in March 2013.

Tobacco

Tobacco Duties accounted for 2 per cent of total revenue remaining static from 2012-13 at £9.6 billion.

Other Taxes, Duties and Revenues

The remaining minor taxes and duties account for 5 per cent of the total revenue at £24.8 billion; £1.7 billion (7.4 per cent) higher than in 2012-13. Significant variances were:

Petroleum Revenue Tax (PRT)

PRT revenue (£1.1 billion) decreased by £0.7 billion (38.9 per cent) when compared to 2012-13. This was mainly due to higher expenditure on maintenance and decommissioning costs and unplanned shutdowns contributing to lower production. These factors have reduced profits on which PRT revenues are charged.

Betting and Gaming

Revenue from Betting and Gaming Duty increased by 27.8 per cent; from £1.8 billion (2012-13) to £2.3 billion (2013-14). This increase is primarily due to the introduction of Machine Games Duty in February 2013 which includes an element of VAT at 20 per cent; replacing Amusement Machine Licence Duty which excluded VAT.

Bank Levy

Bank Levy revenue increased by 37.5 per cent; from £1.6 billion (2012-13) to £2.2 billion (2013-14). This rise is primarily due to the increase in the rate from 0.088 per cent in January 2012 to 0.130 per cent in January 2013.

Climate Change Levy

The increase in revenue from Climate Change Levy from £0.6 billion (2012-13) to £1.2 billion (2013-14) is due to the introduction of the Carbon Price Floor on 1 April 2013, increasing the tax liability of operators who generate electricity by using gas and fossil fuels.

Significant movement in assets and liabilities

- The total of receivables and accrued revenue receivable (ARR) - before impairments - increased by £8.8 billion (8.4 per cent) with notable increases in SA and VAT. This is generally in line with the increase seen in total accrued revenue (note 4).
- Impairments have increased by £0.4 billion (6.5 per cent). The total impairment is 27 per cent of receivables which is generally in line with prior years (note 4).
- Revenue losses decreased by £0.2 billion (3.3 per cent); the total revenue losses represent 1.0 per cent of total revenue (note 7.2).

Provision for liabilities and contingent liabilities (note 8)

Provisions were reviewed during 2013-14. Of the sum of £8.0 billion provided last year £0.4 billion was paid out during the year and it was identified that £1.0 billion was no longer required. New provisions and increases to existing provisions totalling £1.9 billion have been added, giving a carried forward balance of £8.5 billion - a £0.5 billion increase on last year.

Contingent liabilities increased during 2013-14 by £14.7 billion. Of this increase, £10.4 billion relates to a revision to the estimates of cases currently in litigation and taking into account court decisions during the year. In addition, new cases have been identified with an estimated value of £4.3 billion.

Movement of total revenue over the last 8 years

	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
	£ billion	£ billion	£ billion	£ billion	£ billion	£ billion	£ billion	£ billion
Total revenue	505.8	475.6	474.2	469.7	435.8	441.0	461.6	441.3
Variance to prior year	30.2	1.4	4.5	33.9	(5.2)	(20.6)	20.3	32.0
Variance to prior year (per cent)	6.3	0.3	1.0	7.8	(1.2)	(4.5)	4.6	7.8

Note: Total Revenue figures for the years 2006-07 to 2008-09 above differ from those published at the time, having been adjusted in 2009-10 to take account of the fact that, from 2009-10, Tax Credits Negative Taxation is reported as Expenditure in the Statement of Revenue & Expenditure, and so allow all years 2006-07 to 2013-14 to be compared on a like-for-like basis.

Lin Homer
Principal Accounting Officer
25 June 2014

Statement of the Principal Accounting Officer's Responsibilities in Respect of the Trust Statement

HM Treasury has appointed the Chief Executive as Principal Accounting Officer of HMRC with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

The Principal Accounting Officer for HMRC is responsible for ensuring that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

The Principal Accounting Officer is responsible for the fair and efficient administration of the tax system, including the assessment, collection and proper allocation of revenue.

Under section 2(3) of the Exchequer and Audit Departments Act 1921, the Principal Accounting Officer is responsible for the preparation and submission to the Comptroller and Auditor General of a Trust Statement for HMRC for each financial year. In conforming with HM Treasury direction (see page 200 of this Trust Statement), the Trust Statement reports the revenue collected and expenditure in respect of taxes, duties, National Insurance Contributions, and Student Loan recoveries administered by HMRC during the year, together with the net amounts surrendered to the Consolidated Fund.

The Trust Statement is prepared on an accruals basis, except for Stamp Duty and National Insurance Classes 1A, 1B and 3 and some repayments (notes 2.5 and 2.8 refer) which are accounted for on a cash basis. The Trust Statement must give a true and fair view of the state of affairs of HMRC, including a Statement of Revenue, Other Income and Expenditure, a Statement of Financial Position, and a Statement of Cash Flows.

The Department's Governance Statement, covering both the Resource Accounts and the Trust Statement, and which follows the same framework, is shown on pages 26-58.

In preparing the Trust Statement, the Principal Accounting Officer is required to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis

- state whether applicable accounting standards have been followed and disclose and explain any material departures in the account.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

The Audit Report of the Comptroller and Auditor General to the House of Commons

I have audited HM Revenue & Customs' (the Department's) Trust Statement for the year ended 31 March 2014 under the Exchequer and Audit Departments Act 1921. The Trust Statement comprises the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Principal Accounting Officer's Responsibilities in respect of the Trust Statement, the Principal Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Department and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the HM Revenue & Customs Trust Statement gives a true and fair view of the state of affairs of the collection and settlement of taxes, duties, National Insurance Contributions, Student Loan recoveries, fines, penalties and related expenditures and disbursements administered by the Department as at 31 March 2014 and of the revenue and expenditure and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion, the information given in the: Foreword by Lin Homer, Strategic Report, Directors' Report, Additional Information and Principal Accounting Officer's Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

Further details arising from my examination can be found in my Report on HM Revenue & Customs 2013-14 Accounts, under Section 2 of the Exchequer and Audit Departments Act 1921, on page R1.

Sir Amyas C E Morse **25 June 2014**
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Financial Statements

Statement of Revenue, Other Income and Expenditure

For the year ended 31 March

	Note	2014 £ bn	2013 £ bn
Taxes and Duties			
Income Tax	2.1	162.1	150.9
Value Added Tax	2.2	108.2	101.0
Corporation Tax	2.3	40.3	39.2
Hydrocarbon Oils Duties	2.4	26.9	26.5
Stamp Taxes	2.5	12.9	9.5
Alcohol Duties	2.6	10.4	10.2
Tobacco Duties	2.7	9.6	9.6
Other Taxes and Duties	2.8	25.3	23.4
Total Taxes and Duties		**395.7**	**370.3**
Other Revenue and Income			
National Insurance Contributions	3.1	106.7	101.7
Student Loan Recoveries	3.3	1.5	1.6
Fines and Penalties		1.4	1.5
Taxation due from Isle of Man	3.4	0.5	0.5
Total Other Revenue and Income		**110.1**	**105.3**
Total Revenue		**505.8**	**475.6**
Expenditure			
Impairment charges	7.1	(5.5)	(5.1)
Movement in provisions	8	(0.9)	(6.7)
Total Expenditure		**(6.4)**	**(11.8)**
Disbursements			
National Insurance Contributions due to the National Insurance Funds and National Health Services	3.1	(106.1)	(101.0)
Appropriation of revenue to Resource Account	3.2	(30.7)	(30.6)
Student Loan Recoveries due to the Department for Business, Innovation and Skills	3.3	(1.7)	(1.6)
Total Disbursements		**(138.5)**	**(133.2)**
Total Expenditure and Disbursements		**(144.9)**	**(145.0)**
Net Revenue for the Consolidated Fund		**360.9**	**330.6**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes at pages 182 -199 form part of these accounts.

Statement of Financial Position

As at 31 March

	Note	2014 £ bn	2013 £ bn
Non-current assets			
Receivables falling due after more than one year	4	0.8	0.9
Current assets			
Receivables	4	16.9	15.3
Accrued Revenue Receivable	4	89.3	82.4
Total current assets		**106.2**	**97.7**
Total assets		**107.0**	**98.6**
Current liabilities			
Payables	5	14.7	14.3
Accrued Revenue Payable	5	28.8	26.8
Deferred Revenue	5	0.8	0.9
Bank balance		1.2	2.0
Total current liabilities		**45.5**	**44.0**
Assets less current liabilities		**61.5**	**54.6**
Non-current liabilities			
Provision for liabilities	8	8.5	8.0
Net assets		**53.0**	**46.6**
Movements on Consolidated Fund account:			
Balance on Consolidated Fund account as at 1 April		46.6	56.5
Net Revenue for the Consolidated Fund		360.9	330.6
Less amount paid to Consolidated Fund		(354.5)	(340.5)
Balance on Consolidated Fund account as at 31 March		**53.0**	**46.6**

Lin Homer
Principal Accounting Officer
25 June 2014

The notes at pages 182 -199 form part of these accounts..

Statement of Cash Flows

For the year ended 31 March

	Note	2014 £ bn	2013 £ bn
Net Cash Flow from Revenue activities	A	355.3	340.4
Cash paid to Consolidated Fund		(354.5)	(340.5)
Increase/(decrease) in Cash in this period	B	**0.8**	**(0.1)**

Notes to the Statement of Cash Flows

A: Reconciliation of Net Cash Flow to movement in Net Funds

For the year ended 31 March

	2014 £ bn	2013 £ bn
Net Revenue for the Consolidated Fund	360.9	330.6
(Increase) /decrease in Non-cash Assets	(8.4)	3.5
Increase in liabilities	2.3	0.4
Increase in Provision for liabilities	0.5	5.9
Net Cash Flow from Revenue Activities	**355.3**	**340.4**

B: Analysis Of Changes in Net Funds

For the year ended 31 March

	2014 £ bn	2013 £ bn
Increase / (decrease) in Cash in this period	0.8	(0.1)
Net Funds as at 1 April (Opening Cash at Bank)	(2.0)	(1.9)
Net Funds as at 31 March (Closing Cash at Bank)	**(1.2)**	**(2.0)**

Notes to the Trust Statement

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

1. Statement of accounting policies

1.1 Basis of accounting

The Trust Statement is prepared in accordance with:

- the accounts direction issued by HM Treasury under the Exchequer and Audit Departments Act 1921
- the 2013-14 Financial Reporting Manual issued by HM Treasury
- reference to International Financial Reporting Standards as adapted or interpreted for the public sector context
- the accounting policies detailed in subsequent notes.

The accounting policies have been developed by HMRC in consultation with HM Treasury and have been reviewed during 2013-14 and these policies have been applied consistently in dealing with items considered material in relation to the accounts. The Trust Statement is prepared on a going concern basis.

The tax gap is not recognised in the Trust Statement. The tax gap is defined as the difference between tax collected and that which should be collected (the theoretical liability). The theoretical tax liability represents the tax that would be paid if all individuals and companies complied with both the letter of the law and HMRC's interpretation of the intention of Parliament in setting law (referred to as the spirit of the law). The tax gap estimate is net of the Department's compliance activities. The tax gap is the tax that is lost through non-payment, use of avoidance schemes, interpretation of tax effect of complex transactions, error, failure to take reasonable care, evasion, the hidden economy and organised criminal attack.

The financial information presented is rounded to the nearest £0.1 billion, except for Certificates of Tax Deposit, Student Loan Recoveries, revenue losses, and provision for liabilities, which are rounded to the nearest £1 million, due to the much smaller amounts of revenue accrued.

1.2 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention. Taxes and duties are accounted for on an accruals basis, except for Stamp Duty and National Insurance Classes 1A, 1B and 3, which are accounted for on a cash basis as agreed with HM Treasury. In addition, some repayments are accounted for on a cash basis. Accounting for these elements on a cash basis does not have a material impact on the accounts.

1.3 Revenue recognition

Taxes and duties are measured at the fair value of the consideration received or receivable net of repayments. Revenue is recognised when: a taxable event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable event will flow to HMRC. The taxable events for the main taxes and duties are described in note 2 below. Note 4 provides an explanation of accrued revenue receivable, note 6 describes the circumstances and approaches used where estimation of accruals is needed and note 8 provides an explanation of provision and contingent liabilities. Revenues are deemed to accrue evenly over the period for which they are due.

HMRC undertakes compliance work to collect or protect revenue as part of the commitment to narrow the tax gap. This includes work in tackling avoidance, evasion and criminal attack. Given the uncertainty of both the probability of economic flow and reliability of estimated figures, future revenue flows in relation to this activity are not recognised in the accounts until such time as a liability is assessed or established and/or reasonably certain.

2. Taxes and Duties (additional information)

2.1 Income Tax

For the year ended 31 March

	2014 £ bn	2013 £ bn
Self Assessment	25.9	19.3
Other Income Tax revenue (including PAYE)	136.2	131.6
Total	**162.1**	**150.9**

The taxable event for Income Tax is the earning of assessable income during the taxation period by the taxpayer. Where payments are received in advance of Self Assessment returns, the estimate of the Income Tax component is based on prior year Income Tax liabilities.

2.2 Value Added Tax

For the year ended 31 March

	2014 £ bn	2013 £ bn
Gross Revenue	183.8	175.7
Less: Revenue Repayable	(75.6)	(74.7)
Net Revenue	**108.2**	**101.0**

The taxable event for Value Added Tax is the undertaking of taxable activity during the taxation period by the taxpayer.

VAT is structured in such a manner that taxpayers are also entitled to claim repayments; hence a breakdown of gross revenue and repayments is disclosed.

2.3 Corporation Tax

The taxable event for Corporation Tax is the earning of assessable profit during the taxation period by the taxpayer.

2.4 Hydrocarbon Oils Duties

For the year ended 31 March

	2014 £ bn	2013 £ bn
Road Fuel	26.3	25.9
Rebated Fuel	0.6	0.6
Total	**26.9**	**26.5**

The taxable event for Hydrocarbon Oils Duty is the date of production, date of import or movement of goods out of a duty suspended regime.

2.5 Stamp Taxes

For the year ended 31 March

	2014 £ bn	2013 £ bn
Stamp Duty Land Tax	9.7	7.0
Stamp Duty Reserve Tax	2.8	2.2
Stamp Duty	0.3	0.3
Annual Tax on Enveloped Dwellings	0.1	-
Total	**12.9**	**9.5**

The taxable event for Stamp Taxes (Stamp Duty Land Tax and Stamp Duty Reserve Tax) is the purchase of property or shares.

Stamp Duty is recognised in the accounting period in which the tax receipt is received and is measured as the cash amount received. Repayments of Stamp Duty are made on a cash basis - these are recognised in the period the repayment is made.

Annual Tax on Enveloped Dwellings (ATED) came in to effect on 1 April 2013 - this tax relates to residential properties owned by 'non-natural' persons i.e. companies, and the taxable event is based on the market value of the relevant property(ies) being greater than £2 million at 1 April each year.

2.6 Alcohol Duties

For the year ended 31 March

	2014 £ bn	2013 £ bn
Wine, Cider and Perry	4.1	3.9
Beer	3.3	3.4
Spirits	3.0	2.9
Total	**10.4**	10.2

The taxable event for Alcohol duties is the date of production, date of import or movement of goods out of a duty suspended regime.

2.7 Tobacco Duties

For the year ended 31 March

	2014 £ bn	2013 £ bn
Cigarettes	8.4	8.5
Hand rolling Tobacco	1.1	1.0
Cigars	0.1	0.1
Total	**9.6**	**9.6**

The taxable event for Tobacco Duties is the date of production, date of import or movement of goods out of a duty suspended regime.

2.8 Other taxes and duties

For the year ended 31 March

	Note	2014 £ bn	2013 £ bn
Capital Gains Tax*	2.8.1	3.9	3.9
Inheritance Tax*		3.7	3.1
Insurance Premium Tax		3.0	3.0
Air Passenger Duty		3.0	2.8
Customs Duties		2.9	3.0
Betting and Gaming Duties		2.3	1.8
Bank Levy		2.2	1.6
Landfill Tax		1.2	1.2
Climate Change Levy		1.2	0.6
Petroleum Revenue Tax*		1.1	1.8
Capital Taxes - (UK Swiss Agreement)	2.8.2	0.5	0.3
Aggregates Levy		0.3	0.3
Total		**25.3**	**23.4**

*Repayments for Capital Gains Tax, Inheritance Tax and Petroleum Revenue Tax are made principally on a cash basis - these are recognised in the period the repayment is made.

2.8.1 Capital Gains Tax (CGT) is collected via the self-assessment (SA) system. Liability ratios taken from analysis of taxpayer returns are applied to SA receipts to split them between Income Tax, National Insurance Class 4 and CGT. CGT receipts are recognised in the period in which payments from taxpayers are received.

2.8.2 Capital Taxes - (UK Swiss Agreement). In October 2011, the UK and Switzerland finalised an agreement on tackling tax evasion. This came into force on 1 January 2013 and aims to regularise the assets of UK individuals held in Swiss bank accounts. The UK-Swiss Agreement will cover tax liabilities in the years 2003-12 through both a payment for the past charge, and from 2014 onwards payment of a future withholding tax. Bank assets will be in scope if they are beneficially owned by a UK resident taxpayer. Such an agreement was supported by UK legislation at Schedule 36 to the Finance Act 2012 which also became effective from 1 January 2013.

Throughout the course of 2013-14, HMRC received payments from the Swiss authorities totalling £466 million. These are classified as Capital Taxes.

3. Other Revenue, Income and Disbursements (additional Information)

3.1 National Insurance Contributions

For the year ended 31 March

	Note	Net Revenue 2014 £ bn	Net Revenue 2013 £ bn
National Insurance Fund - Great Britain		84.0	78.8
National Insurance Fund - Northern Ireland		1.6	1.4
National Health Services (NHS)		21.1	21.5
Total Revenue		**106.7**	**101.7**
Remissions and Write-offs	7.2	(0.6)	(0.7)
Net Revenue due to the National Insurance Funds and National Health Services for the year		**106.1**	**101.0**

National Insurance Contributions (NICs) are collected by HMRC on behalf of the National Insurance Funds of Great Britain and Northern Ireland, and the Health Services for England, Wales, Scotland and Northern Ireland. They are payable to the funds and the Health Services when received and not when accrued. Some elements are estimated (refer to note 6 for further information).

National Insurance Classes 1A, 1B and 3 receipts are recognised in the accounting period in which the contributions are allocated.

3.2 Appropriation of Revenue to the Resource Accounts

Appropriations of revenue are made from the Trust Statement to fund Tax Credit payments which are accounted for within the Resource Accounts (note 6 Tax Credits).

3.3 Student Loan Recoveries

	2013-14 £m	2012-13 £m
Balance at 1 April	65	155
Receipts - included in 'Other Revenue and Income'	1,490	1,590
Payments - included in 'Disbursements'	(1,670)	(1,680)
Balance at 31 March – Included in (receivables)/payables	**(115)**	**65**

HMRC collects Student Loans that are recovered through the taxes system on behalf of the Department for Business, Innovation and Skills (BIS). Student loan recoveries are accounted for on the basis of estimated cash collected during the year. The actual amounts recovered during the year are only known after the year end when employers submit their annual returns. Estimates of receipts are made in year using an estimation model and at year end are updated based on the latest figures of employer returns processed. At the year end the difference between estimated receipts (recoveries) and pay-over to BIS is shown as a receivable or payable. Differences between estimated and actual recoveries are adjusted and accounted for in the following year.

3.4 Taxation due from the Isle of Man

Under the Isle of Man Act 1979, a revenue sharing agreement exists between the UK and the Isle of Man (IoM) Governments whereby VAT and certain Customs and Excise duties (known as Common Duties) are pooled and shared on an agreed basis. The Isle of Man Treasury is therefore entitled to a share of Common Duties collected in both the United Kingdom and the Isle of Man that is attributable to goods consumed or services supplied on the Island. This share is reduced by the Common Duties collected and retained by the Isle of Man. Additional adjustments are made for UK costs of collection, prior years' national income and payments already made by the IoM. As required by the agreement, the revenue disclosed in the Trust Statement is net of these deductions and adjustments.

4. Receivables and Accrued Revenue Receivable

	Receivables as at 31 March 2014 £ bn	Accrued Revenue Receivable as at 31 March 2014 £ bn	Total as at 31 March 2014 £ bn	Total as at 31 March 2013 £ bn
Receivables and Accrued Revenue Receivable due within one year:				
Income Tax	5.3	31.4	36.7	32.8
Value Added Tax	7.8	28.1	35.9	33.1
Corporation Tax	2.1	11.4	13.5	13.3
National Insurance Contributions	3.8	11.1	14.9	13.9
Other Taxes and Duties	4.5	7.3	11.8	10.8
Totals before Impairment	**23.5**	**89.3**	**112.8**	**103.9**
Less Impairment	(6.6)	-	(6.6)	(6.2)
Total	**16.9**	**89.3**	**106.2**	**97.7**
Receivables due after more than one year:				
Inheritance Tax	0.8	-	0.8	0.7
Corporation Tax	-	-	-	0.2
Totals before Impairment	0.8	-	0.8	0.9
Less Impairment	-	-	-	-
	0.8	**–**	**0.8**	**0.9**
Totals before Impairment	**24.3**	**89.3**	**113.6**	**104.8**
Less Impairment (note 7.3)	(6.6)	-	(6.6)	(6.2)
Total	**17.7**	**89.3**	**107.0**	**98.6**

Receivables represent all taxpayer liabilities that have been established, irrespective of whether due or overdue, for which payments have not been received at the Statement of Financial Position date.

Accrued revenue receivable represents taxes and duties relating to the financial year that are not yet due or received from taxpayers where these have not been included in receivables, and it is reasonably certain. A significant proportion of these amounts has been estimated (see note 6).

In addition to receivables and accrued revenue receivables, HMRC has a number of taxpayer liabilities which have been postponed pending finalisation of enquiries. These items arise predominantly under Income Tax (PAYE/SA) and Corporation Tax. For most cases the revenue is excluded as it cannot be measured reliably and the probability of an economic flow to HMRC is viewed as low. However to ensure all appropriate liabilities are disclosed HMRC undertakes a review of material postponed Corporation Tax cases. As a result of the review, an amount of £0.7 billion (2012-13 £0.6 billion) has been included in accrued revenue receivables.

5. Payables, Accrued Revenue Payable and Deferred Revenue

	Payables as at 31 March 2014 £ bn	Accrued Revenue Payable as at 31 March 2014 £ bn	Deferred Revenue as at 31 March 2014 £ bn	Total as at 31 March 2014 £ bn	Total as at 31 March 2013 £ bn
Value Added Tax	1.9	10.7	-	12.6	11.7
Corporation Tax	9.0	0.4	0.2	9.6	10.3
Income Tax	0.1	2.8	-	2.9	2.5
National Insurance Funds and the NHS	1.8	14.9	-	16.7	15.0
Other Revenue Payables	0.1	-	0.6	0.7	0.9
Payments on Account	1.8	-	-	1.8	1.6
Total	**14.7**	**28.8**	**0.8**	**44.3**	**42.0**

Payables are amounts recorded as due by HMRC at the end of the reporting period but payment has not been made.

Accrued Revenue Payable is recognised when:

- amounts are due to VAT traders that have an established revenue repayment claim relating to the financial year, but the date the claim is received is after the end of the reporting period
- amounts of receivables and accrued revenue receivable that when received will be passed to a third-party, e.g. National Insurance Contributions due to the National Insurance Funds and National Health Services
- amounts in respect of Corporation Tax and Income Tax likely to be repayable by HMRC pending finalisation of taxpayer liabilities, and for expected Corporation Tax overpayments.

Deferred revenue includes duties and taxes paid in the current year that relate to future accounting periods.

There are no Payables which fall due after one year.

6. Accruals measurement and accounting estimates

The underlying approach to accruals measurement is that revenues from taxation are deemed to accrue evenly over the period for which they are due. Revenues are recognised in the period in which the event that generates the revenue occurs.

Estimates have been made to support the accrued revenue receivable and payable balances where tax returns reporting taxpayer liabilities or associated tax payments are not filed until after the Trust Statement has been published. The estimates are consistent with those prepared for the March 2014 Budget on the basis of the economic assumptions provided by the Office for Budget Responsibility.

6.1 Uncertainty around the estimates

Statistical models are used to derive the estimates and these are based on a combination of projections based on the most recent revenue flows and forecasts of economic variables on which future revenue flows depend. The forecasts are based on what HMRC believes to be the relevant inputs, as previously described in note 1.3. However, because of the areas of uncertainty involved, there will inevitably be differences between the forecasts and future outturns. These differences arise because of the need to make judgements on areas of uncertainty and are not indicative of deficiencies in the models. HMRC believes that the levels of variation are acceptable with a maximum likely overall uncertainty expected to be some £4 billion, which does not affect significantly the reported position. This figure is equivalent to less than one per cent of total revenue reported in the Statement of Revenue, Other Income and Expenditure.

This maximum likely overall uncertainty is based on a combination of evidence from the performance of the models over previous years and the judgement of professional Departmental economists and statisticians having substantial experience of tax forecasting.

The estimates process for each major tax stream is described in more detail below:

6.2 Income Tax and National Insurance Class 1 collected under PAYE

Since the implementation of Real Time Information there is less reliance on estimated PAYE figures. However whilst we no longer have to rely on the forecast estimate to split PAYE Income Tax (IT) and National Insurance Contributions (NICs) in-year, there is still a degree of estimation involved due to late or missing submissions and for receipts relating to prior periods where the split between IT and NICs cannot be identified.

Estimates are also required to recognise underpayments as receivables or overpayments as payables identified during the end of year reconciliation of individual taxpayer accounts. These amounts have been estimated based upon previous experience of the levels of underpayments and overpayments from previous reconciliations as there are no alternative sources of data to draw from.

6.3 Self Assessment Income Tax and National Insurance Contributions Class 4

Accrued revenue receivable represents accrued tax liabilities for 2013-14 where payment is not yet due at 31 March 2014. The estimation process has three stages:

(i) Estimation of accrued tax liabilities for 2013-14. Due to the nature of the self assessment regime, information from actual self assessment returns or associated tax payments relating to 2013-14 is not available at the point of estimation. The IT SA forecast has been revised slightly to incorporate latest 'head of duty analysis' results

(see below for more information), the class 4 NICs forecast is as published at Budget 2014 as changes due to latest head of duty analysis are very small.

(ii) Deduction from the 2013-14 accrued tax liabilities of relevant payments by 31 March 2014. An estimate of these payments is provided by the 'head of duty analysis', a statistical apportionment of total self assessment receipts of Income Tax, NICs Class 4 and Capital Gains Tax between these three components. The breakdown is estimated from separate information on self assessment liabilities.

(iii) A further deduction for payments due by 31 March but not made by that date (these are included in the receivable balances). The amounts relate to payments on account due on 31 January. The breakdown of the total between Income Tax and NICs is made by statistical estimation.

Accrued revenue receivable is separately estimated for each revenue stream and component of Income Tax. The estimates used are based on the Budget 2014 forecast, modified in the light of the final 2013-14 head of duty analysis. Economic assumptions provided by the Office for Budget Responsibility are used in the preparation of these estimates, the most significant ones being 'profits from self-employment', which rose by 3.1 per cent and 'dividend income', which rose by 3.5 per cent in 2013-14. Additionally, in Budget 2012, the Government announced a reduction in the additional rate of tax from 50 per cent to 45 per cent, taking effect from April 2013. It is likely that some individuals subject to the additional rate will have deferred income that would otherwise have arisen in 2012-13 into 2013-14 in order to gain further advantage from the reduction in tax rate. This will have had the effect of boosting Income Tax liabilities for 2013-14. However the extent of income deferred into 2013-14 and the subsequent impact on 2013-14 liabilities are not known and subject to significant estimation uncertainty.

6.4 Value Added Tax

Not all information relating to VAT accrued revenue receivable and payable was available at the time of publication of these accounts. Accrued revenue receivable and payable via the regular return process has been estimated using historic data. This past outturn is then used to project forward in order to construct estimates for the more recent periods. These have been combined with actual return data and adjusted to account for any payments or repayments relating to these returns that were made prior to the year end. The methodology provides a reliable indication of future accrued revenue receivable and payable.

To construct final estimates of accrued revenue receivable and payable, a number of further adjustments have been made to reflect VAT that is accounted for outside the process described above. The principal adjustments relate to import VAT, repayments made to government departments and Officers' Assessments of errors in submitted VAT returns. These are based largely on actual return information although some forecast element remains using the methodology described above.

6.5 Corporation Tax

Corporation Tax for large onshore companies is paid by four quarterly instalment payments (QIPs). North Sea companies, who previously paid QIPs, have from 2006-07 moved to paying their Corporation Tax liabilities in three instalment payments (TIPs). Separate accrued revenue receivable estimates have been calculated for onshore and North Sea companies.

Onshore companies

Accrued revenue receivable has been estimated where between one and four QIPs for onshore companies have been received using a model that forecasts companies' Corporation Tax liabilities based on the number and value of QIPs received.

For accounting periods where no QIPs have been received, accrued revenue receivable has been estimated based on prior year outturn liabilities at a sectoral level adjusted for forecast growth in Corporation Tax liabilities.

Corporation Tax is assumed to accrue evenly throughout the companies' accounting periods. Assumptions for the proportions of companies' Corporation Tax liabilities that are remitted with each QIP and adjustments for overpayments and late payments of Corporation Tax liabilities are based on historical trends of Corporation Tax liabilities and receipts.

Accrued revenue payable has been estimated for expected overpayments based on historical trends.

North Sea companies

The majority of TIPs relating to 1 January to 31 March are not due in sufficient time for publication of the accounts and are therefore estimated. This estimate is primarily based on prior year outturn liabilities adjusted for forecast growth in North Sea companies' Corporation Tax liabilities.

7. Impairment Charges

Impairment Charges are made up of Revenue losses and the movement in the Impairment of Receivables.

7.1 Breakdown of Impairment Charges

For the year ended 31 March

	Note	2014 £ bn	2013 £ bn
Revenue Losses	7.2	5.1	5.3
Increase/(decrease) in Impairment of Receivables	7.3	0.4	(0.2)
Total Impairment Charges		**5.5**	**5.1**

7.2 Revenue losses

For the year ended	Remissions 31 March 2014	Write-offs 31 March 2014	Total 31 March 2014	Remissions 31 March 2013	Write-offs 31 March 2013	Total 31 March 2013
	£ m	£ m	£ m	£ m	£ m	£ m
Income Tax	378	1,290	1,668	565	720	1,285
Value Added Tax	70	1,611	1,681	6	1,998	2,004
Corporation Tax	9	431	440	3	605	608
Alcohol Duties	4	40	44	18	54	72
Tobacco Duties	2	3	5	-	1	1
Capital Gains Tax	14	26	40	3	35	38
National Insurance Contributions	141	538	679	80	654	734
Fines and penalties	15	525	540	250	284	534
Other remissions and write-offs	6	31	37	4	27	31
Total Revenue losses	**639**	**4,495**	**5,134**	**929**	**4,378**	**5,307**

Revenue losses are made up of Remissions and Write-offs. Remissions are debts capable of recovery but HMRC has decided not to pursue the liability on the grounds of value for money. Write-offs are debts that are considered to be irrecoverable because there is no practical means for pursuing the liability.

For certain taxes only a partial split between remissions and write-offs is known. Where information is unavailable the percentage split of the known element is applied to the remainder to calculate a total estimated remission and write off split.

Revenue losses – Cases over £10 million (included in Revenue losses table)

There were 24 cases (13 cases in 2012-13) where the loss exceeded £10 million, totalling £510 million (£568 million in 2012-13). Specific details are shown below:

There were four write-offs (five in 2012-13) of VAT, interest, surcharge and penalties relating to Missing Trader Intra-Community Fraud (MTIC) over £10 million each, totalling £73 million (£104 million in 2012-13). All MTIC cases are assessed to establish if there is potential to recover revenue and, where appropriate, proactive insolvency action is initiated.

There were 20 write-offs (eight in 2012-13) relating to Insolvency over £10 million each. They were for VAT, Corporation Tax, Income Tax, National Insurance and Excise Duty including interest, surcharge and penalties totalling £437 million (£464 million in 2012-13).

There was a bulk remission of £36 million for un-assessed VAT losses in respect of Marine and Aviation Loss Adjustors who incorrectly zero rated loss adjustment services due to misleading guidance.

There was a bulk remission of £212 million for Income Tax relating to untaxed state pension income. These related to financial years between 2010-11 and 2013-14. There was a low likelihood of recovery and they were therefore progressed on a value for money basis.

There was a write-off of £247 million of VAT, interest and penalties in respect of seven assessments in complex MTIC fraud cases where assessments had not been raised within the statutory time limits.

There was a bulk remission of £91 million for Corporation Tax, Income Tax and VAT relating to 248,269 cases. The cases are no longer considered cost effective to pursue. The remissions were therefore progressed on a value for money basis.

There was a bulk write-off of £58 million in relation to 8,814 cases for Corporation Tax, Income Tax and VAT. These were considered irrecoverable and write-off appropriate.

The Governance report and the Tax Assurance Commissioner's report set out actions HMRC is taking to manage the risk of revenue losses in future years.

7.3 Impairment of Receivables

For the year ended 31 March

	2014 £ bn	2013 £ bn
Balance as at 1 April	6.2	6.4
Increase/(decrease) in Impairment of Receivables	0.4	(0.2)
Balance as at 31 March	**6.6**	**6.2**

Receivables in the Statement of Financial Position are reported after impairment, which is estimated based on HMRC's analysis of existing receivables and historical trends in debt recovery, losses, discharges, amendments and cancellations. The Department assesses the collectability of receivables that are considered individually significant and the remainder are placed into groups of similar receivables, based on risk, and assessed collectively. The impairment of receivables is calculated to provide a fair value of receivables, in effect reducing them to a value that is likely to be collected and providing for non collectable debt.

Non collectable debt includes legally due debt that is written off or remitted (losses note 7.2 refers), in addition to debt that is discharged, amended or cancelled, as information is received which reduces the liability or confirms that it is not legally due. The discharge, amendment and cancelled element results from liabilities being estimated by either the Department or the tax payer and then subsequently amended once the true liability is known.

8. Provision for liabilities and contingent liabilities

Provisions are recognised when HMRC has a present legal or constructive obligation as a result of a past event, it is probable that HMRC will be required to settle that obligation and an amount can be reliably estimated.

Contingent liabilities are cases where it is probable that HMRC will be required to settle the obligation but is not able to estimate the amount reliably, or where it is possible that HMRC will be required to settle the obligation. These are not disclosed where disclosure could seriously prejudice the outcome of legal claims against the Department.

Provision for liabilities

	Legal claims	Oil and gas field decommissioning	Total 2013-14	Total 2012-13
	£ m	£ m	£ m	£ m
Balance at 1 April	4,184	3,835	8,019	2,081
Provided in the year	1,441	440	1,881	7,168
Provision not required written back	(222)	(774)	(996)	(459)
Provision utilised in the year	(13)	(429)	(442)	(771)
Balance at 31 March	**5,390**	**3,072**	**8,462**	**8,019**

8.1 Legal claims

Provision for liability

HMRC is involved in a number of legal and other disputes which can result in claims by taxpayers against HMRC. It is in the nature of HMRC's business that a number of these matters may be the subject of litigation over several years. The Department having taken legal and other specialist advice, has established a provision having regard to the relevant facts and circumstances of each matter in accordance with accounting requirements. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement discussions.

Contingent liabilities

HMRC currently has 21 cases where the maximum potential tax revenue before losses, capital allowances and other reliefs, is over £100 million. This covers a range of heads of duty, including Corporation Tax, Income Tax, and VAT. The table above shows the total provision we have made for likely outcomes.

The total meeting the criteria for contingent liabilities is estimated at £29.2 billion (£14.5 billion as at 31 March 2013).

8.2 Consequences of oil and gas field decommissioning on revenues from UK oil and gas exploration and production

The 1975 Oil Taxation Act, as subsequently amended, allows for Petroleum Revenue Tax (PRT) losses arising from the decommissioning of infrastructure associated with UK oil and gas fields subject to PRT, to be carried back indefinitely. As a result losses are carried back to years in which assessable profits chargeable to PRT arise, working backwards until the losses are exhausted. The Corporation Tax Act 2010 allows a company incurring a loss to set that loss against profits of the same and earlier accounting periods so far as they fall within the twelve months ending immediately before the loss making period begins, and during which the trade was being carried on. For general decommissioning expenditure incurred in UK oil and gas extraction trades the carry back period is three years rather than twelve months. For losses arising in accounting periods beginning on or after 12 March 2008, the carry back period was extended, allowing losses to be carried back and set against profits from oil and gas extraction trades for accounting periods back to 17 April 2002.

Decommissioning costs over the five year period from 2014 to 2018 are largely planned, so industry estimates of costs over that period are assumed to be the best available. This five year period corresponds with Budget 2014 forecasts of revenues as produced by the Office for Budget Responsibility. The total costs of decommissioning for the period 2014 to 2018 are estimated to be £6.9 billion at today's prices (cost estimates extracted from Oil & Gas UK survey reports). The impact on tax receipts thereon is estimated to be a cost to the Exchequer of £3.1 billion (split between PRT at £0.5 billion and CT at £2.6 billion) and since this estimate

is seen as relatively reliable, a provision for this amount is included in the provision for liabilities table. The provision estimate assessment period has rolled on one year resulting in a revision of identified costs and new decommissioning requirements. The outcome of this is an increase in the total cost of decommissioning to industry. The provision estimate for 2014-15 to 2018-19 of £3.1 billion is 20 per cent lower than the estimate provided for the 2012-13 accounts. This is due to lower estimates of tax relief that companies are able to realise on their decommissioning costs. The provision utilised in year of £429 million is the actual Exchequer tax cost for 2013-14 and has been measured by identification of PRT repayments and lower CT liabilities arising from utilisation of decommissioning losses.

There is considerable uncertainty in the amount and timing of decommissioning costs beyond 2018. The main areas of uncertainty are future costs (estimates of costs in successive surveys have increased by 80 per cent in the last five years), timing (introduction of incentives such as brown field allowance has extended the life of a number of fields), and future changes to fiscal regime (tax rate and field allowance changes will impact on field development plans). For these reasons it is not possible to provide a reliable estimate of the tax costs of decommissioning beyond 2018-19.

9. Certificates of Tax Deposits

	CTD Issues 2013-14	CTD Redemptions 2013-14	CTD Total 2013-14	CTD Total 2012-13
	£ m	£ m	£ m	£ m
Receipts	590	343	933	624
Payments	(589)	(339)	(928)	(638)
Net receipts/(payments)			5	(14)
Balance at 1 April			(5)	9
Balance at 31 March – Included in (receivables)/ payables			**-**	**(5)**

Under the Certificate of Tax Deposits (CTD) scheme, HMRC accepts deposits from people liable to UK taxes and other liabilities. Relevant taxes and liabilities can be found on the HMRC website (www.hmrc.gov.uk). HMRC administers this scheme on behalf of HM Treasury, and the accounts of the National Loans Fund include the principal and accrued interest for all issued CTDs as at 31 March.

Delays in processing between the issue and redemption of CTDs and the transfer of funds to and from the National Loans Fund can result in balances at the year end; these balances are included within receivables or payables on the Statement of Financial Position in the Trust Statement.

10. RN LTD

RN Limited, a company registered in 1933, is used by HMRC as a nominee to hold charges securing tax debts owed to HMRC. These debts are already fully reflected in the Trust Statement.

RN Limited also holds as nominee and on behalf of HMRC assets that have been assigned to HMRC in settlement of debts. These are not recognised in the Trust Statement until realised.

11. Third party assets

The Department holds cash and other assets which have been seized in relation to ongoing legal proceedings. These assets do not belong to the Department and do not form part of these accounts, although where seized assets are forfeited without legal proceedings, proceeds are recognised as penalty income.

The Department also holds Euro deposits in relation to traders who are located outside the European Union but who are trading electronically via the internet with EU member states. Neither the Department nor the government generally have any beneficial interest in these funds.

12. Related party transactions

Due to the nature of HMRC's business, we have a large number of transactions, relating to taxation income, with other government departments and other central government bodies. No Board member, key manager or other related party has undertaken material transactions with the Department during the year.

13. Events after the reporting period

There are no reportable non-adjusting events after the reporting period. The financial statements were authorised for issue by the Principal Accounting Officer on 25 June 2014.

Accounts Direction Given by HM Treasury

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 2 OF THE EXCHEQUER AND AUDIT DEPARTMENTS ACT 1921.

1. This direction applies to those government departments listed in appendix 2.

2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2014 for the revenue and other income, as directed by the Treasury, collected by the Department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for 2013-14.

3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 13). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material

departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

8. The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury

20 December 2013