Public Accounts Committee scrutiny: large business compliance

Large Corporate | General Features

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The Public Accounts Committee reviewed large business compliance, AI use and tax investigations.

The Public Accounts Committee held an evidence session with HMRC on 18 May (see tinyurl.com/yc625htz). The HMRC team was led by Permanent Secretary John-Paul Marks and included Nicole Newbury, Director of the Large Business directorate, Penny Ciniewicz, Director General Customer Compliance, and Jonathan Athow, Director General Strategy and Policy. The session discussed the performance of the Large Business directorate, following the National Audit Report in February praising HMRC's large business compliance activities (see tinyurl.com/2twn9hxv).

'Tax under consideration'

The discussion started with questions about the confusing term ‘tax under consideration’. Nicole Newbury stressed that the figure is ‘not a pot of money that is waiting for us to work through and secure’. Instead, it represents HMRC’s estimate of the maximum amount of tax potentially recoverable from an investigation.

She said that it is ‘a guide for us to prioritise our resource deployment and ensure we are focusing on the highest value’. The increase from £42 billion to £70 billion, the figure from last October, recognises that HMRC has made significant investments in recent years in spending more time with customers, carrying out risk assessments and using data from other jurisdictions and taxpayers effectively to identify tax risks.

Newbury added: ‘It would not be accurate to describe that as a pot of money waiting to be converted into cash receipts. An awful lot of work needs to go in to understand to what extent that is recoverable or legally due.’

She added that about £21 billion of the £70 billion related to international issues. International work is undertaken by international tax specialists, some of whom HMRC has trained internally through trebling funding for the CIOT’s Advanced Diploma in International Taxation. External recruitment of experienced specialists has also supplemented the international work.

Large business compliance

The discussion moved to the special measures regime, where HMRC can impose additional requirements on a large company or group engaged in avoidance activities – but has not actually done so. Newbury pointed to HMRC’s high risk corporates programme, which she said has delivered £32 billion in additional tax revenue from 70 multinational groups that ‘would otherwise have gone unpaid’, while also resolving more than 4,000 risks.

She added that HMRC considers the use of special measures legislation in all cases within the programme. However, she said the programme had achieved a 96% success rate in ‘shifting the behaviour into a more compliant arena’, which HMRC viewed as a good outcome.

All 2,000 large groups managed by Large Business have a regular business risk review, ranking them as low, moderate, moderate-high or high risk. The reviews are

conducted by customer compliance managers, 71% of whom have been in post for more than three years and 40% for more than five years. Newbury said HMRC recognises the impact of staff turnover and tries to minimise it ‘wherever possible to give consistency’.

The latest statistics show that more than half of groups are classed as low risk, while only 10 are currently categorised as high risk. In those cases, HMRC actively considers the high risk corporates programme and special measures, alongside working jointly with its Fraud Investigation Service where appropriate.

Large business compliance enquiries currently take 17 months on average, a figure that has already reduced substantially and is forecast to fall further to 16 months. Newbury said HMRC is looking at ‘how we can use technology, and AI in particular, to speed up the work that we are doing’.

She pointed to HMRC’s work on transfer pricing and some of its international work. ‘We often have to ask our multinationals for huge amounts of unstructured data and information.’ HMRC is using commercially available tools, ‘which we are tailoring and training with large language models, to make sure that we can extract the information and analyse – with human involvement and oversight – what that is telling us much quicker.’

Customer service and tax collection

At the end of the session, the Chair asked whether the aim of HMRC’s investments through the Transformation Roadmap is to collect more tax or to provide better customer service.

JP Marks said the two aims should ultimately be aligned, seeking to help taxpayers while also supporting compliance. He said the vast majority of taxpayers are honest and ‘want to get things right first time’.

As an example, he said HMRC was seeking to make compliance easier by enabling taxpayers to use their phones to view their income, national insurance, PAYE, savings income and dividends. He said this would help people understand: ‘This is what I know about myself, and this is what HMRC knows about me.’

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