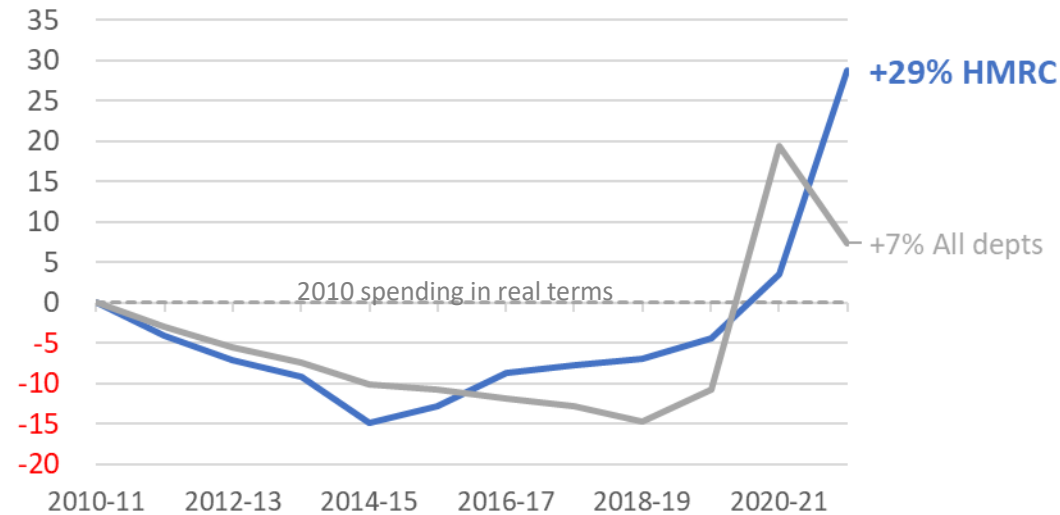


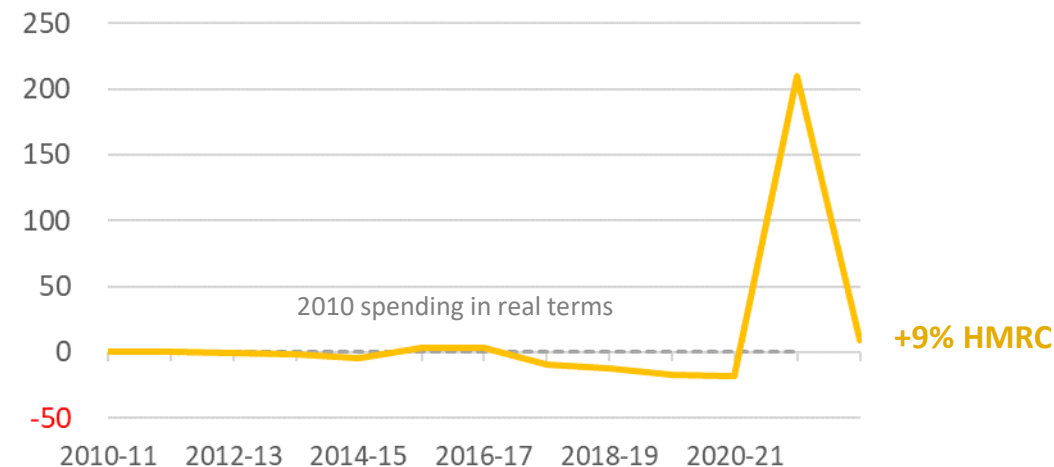
HM Revenue and Customs (HMRC)

Long-term trends in HMRC's spending (in real terms)

Percentage change in **day-to-day spending** compared to 2010 (Resource DEL):



Percentage change in **demand-led day-to-day spending** compared to 2010 (Resource AME):



Day-to-day spending trends

- HMRC day-to-day planned spending has recovered from the cuts following 2010-11 and is now set to be **29% higher** in 2021-22 than in 2010-11, in real terms.
- In 2020-21, **£94 million** was provided in Covid-19 support measures within the Resource DEL budget which was for increasing IT and staff costs.
- This compares to **£765 million** allocated for Covid-19 support in 2021-22. This is for a one-off grant payment for households who receive tax credits. This is classified as Resource DEL whereas the other HMRC Covid-19 schemes are recognised in Resource AME.

Day-to-day demand-led spending trends

- The spike in spending in 2020-21 was due to the **£121.8 billion** allocated for Covid-19 furlough and income support schemes in 2020-21. This compares to **£19.2 billion** in 2021-22.
- The Personal Tax Credit budget for 2021-22 is **£13.2 billion**, £5.1 billion lower than the 2020-21 budget.

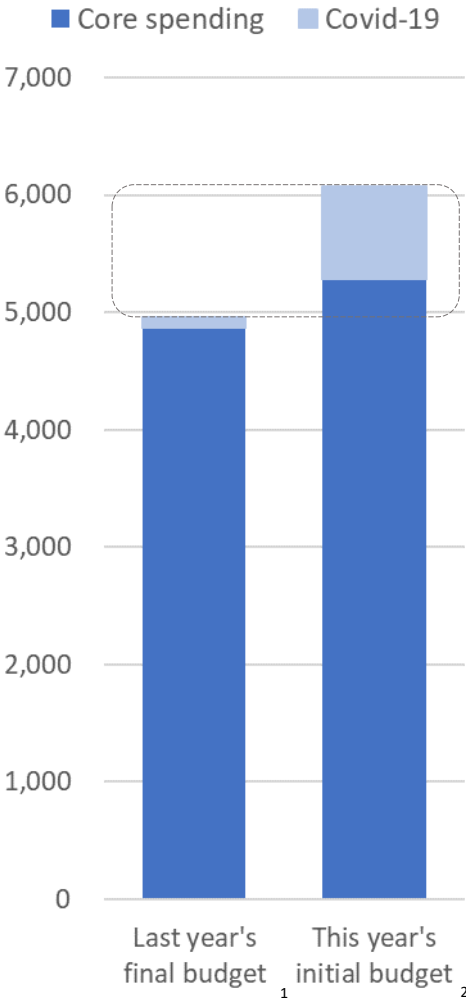
Investment spending trends

- Investment spending (Capital DEL) is relatively low at £564 million in 2020-21 and is set to be £659 million in 2021-22.
- Most of this is spent on HMRC administration, such as delivering post-EU transition requirements and for measures announced in the 2021 Budget.

How is HMRC's day-to-day spending changing in 2021-22?

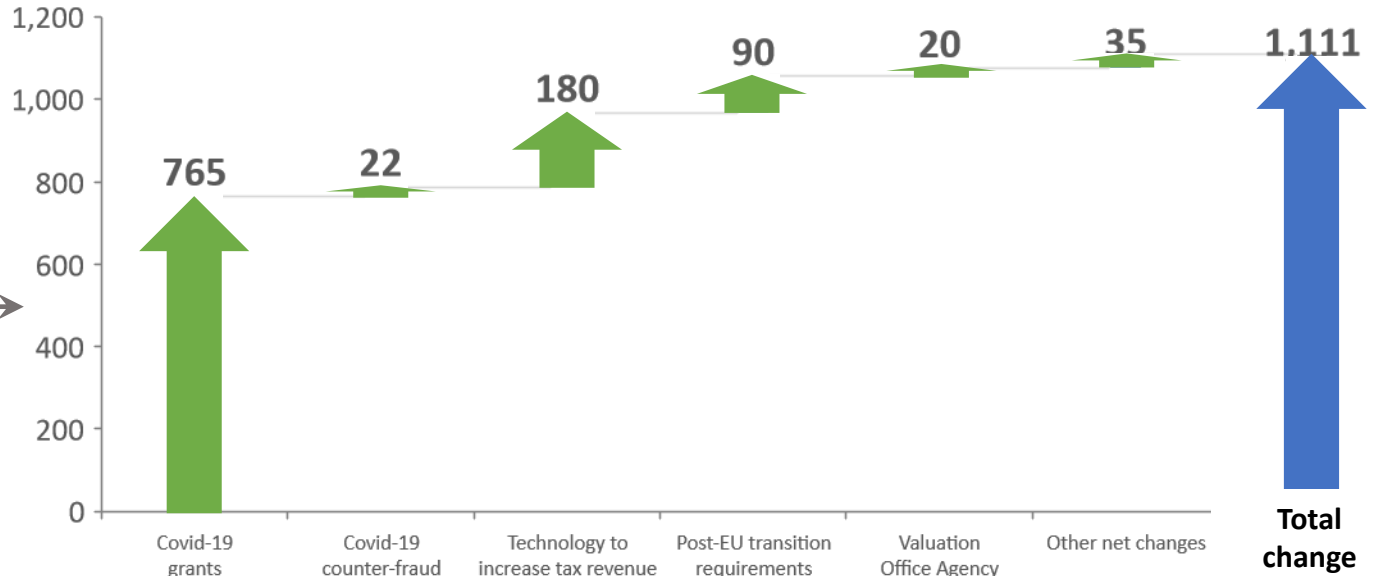
HMRC's day-to-day budget is increasing by **£1,111.4m (+22.4%)**

Resource DEL budget in £m



HMRC's proposed budget day-to-day budget increase is mainly due to additional Covid-19 support

Changes in Day-to-day (Resource DEL) budget in £m since final budget for 2020-21



Changes in 2021-22

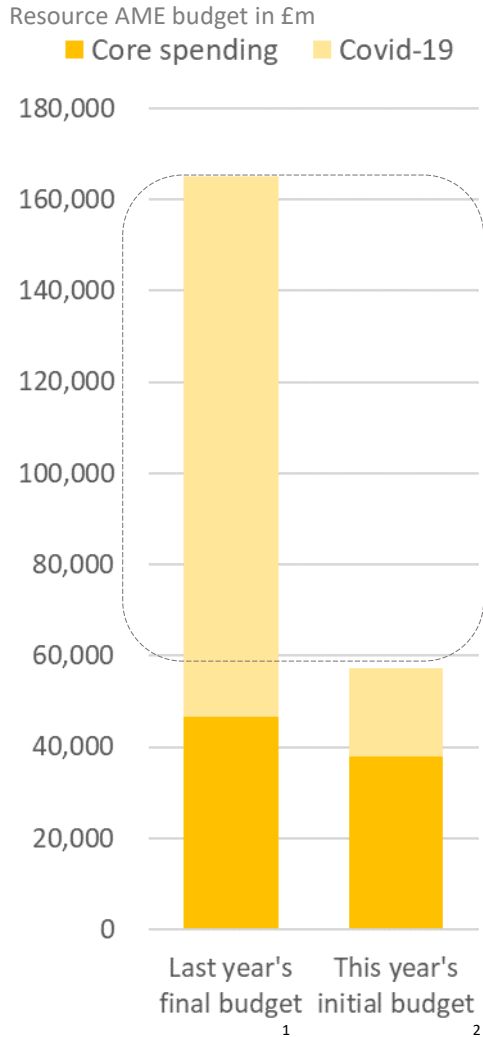
- **Covid-19 grants:** £765 million for a one-off £500 payment to households who receive working tax credits. Unlike the other income support schemes, this is classified as Resource DEL rather than Resource AME.
- **Covid-19 counter fraud:** £22 million for compliance activity to target fraud in Covid-19 schemes.
- **Technology to increase tax revenue:** £180 million to modernise and digitise tax reporting for businesses, delivering additional tax revenue by reducing non-compliance. The total project is expected to cost £402 million.
- **Post-EU transition requirements:** £90 million to improve IT programme to handle new functional requirements and transaction volumes; supporting traders moving goods between GB and Northern Ireland; providing transit and customs capacity; and supporting small businesses with changes to trade rules.
- **Valuation Office Agency:** increase of £20 million to prepare for the next revaluation in 2023.
- **Other:** this includes an increase in other core HMRC costs of £78 million; increase in National Insurance Fund costs of £31 million; offset by a decrease in utilised provisions of £75 million.

¹ Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

² Initial Budget in Main Estimate 2021-22 (May 2021)

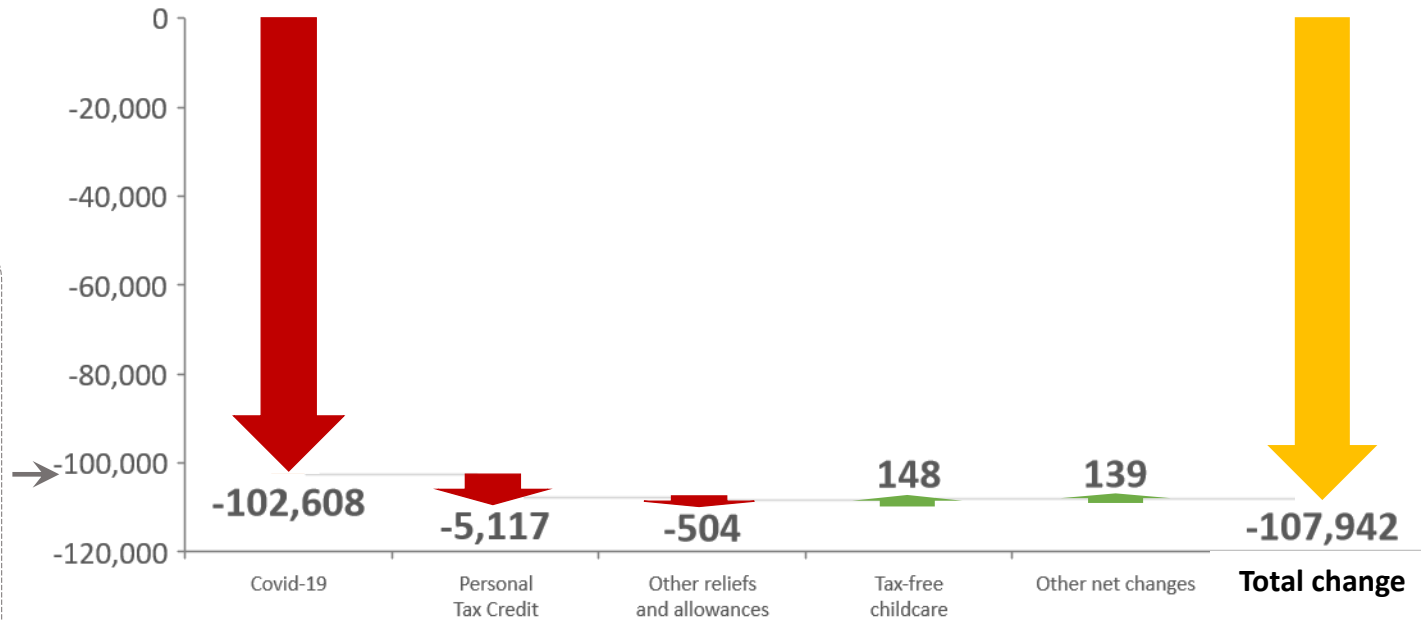
How is HMRC's demand-led spending changing in 2021-22?

HMRC's demand-led day-to-day budget is decreasing by £107,942m (-65.4%)



HMRC's demand-led spending is set to reduce mainly of a reduction in Covid-19 support schemes

Changes in Demand-led (Resource AME) budget in £m since final budget for 2020-21



Changes in 2021-22

- **Covid-19:** £102,608 million decrease in Covid-19 scheme costs compared to 2020-21. Both the furlough scheme and the Self-Employment Income Support Scheme are due to end on 30 September 2021.
- **Personal Tax Credit:** £5,117 million decrease due to the claimants leaving the system, either to Universal Credit or out of the welfare system. There are now no new claims for PTC so the caseload gradually decrease.
- **Other reliefs and allowances:** £504 million decrease in this budget which covers Research and Development Relief, Film Tax Relief and the Guardians Allowance. The budget is adjusted based on OBR forecasts.
- **Tax-free childcare:** £148 million increase due to a projected increase in the eligible population opening and using their accounts. Account use was lower than expected in 2020-21 due to the pandemic.
- **Other:** includes £75 million increase in utilised provisions; £49 million increase in Lifetime ISA; £45 million increase in Child Benefit based on latest forecasts; offset by a £35 million decrease in HMRC admin costs

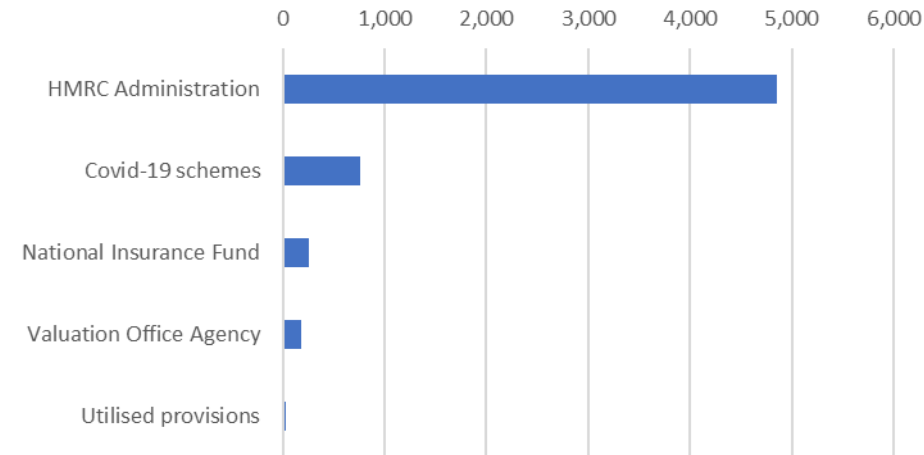
¹ Final Budget in Supplementary Estimates 2020-21 (Feb 2021))

² Initial Budget in Main Estimate 2021-22 (May 2021))

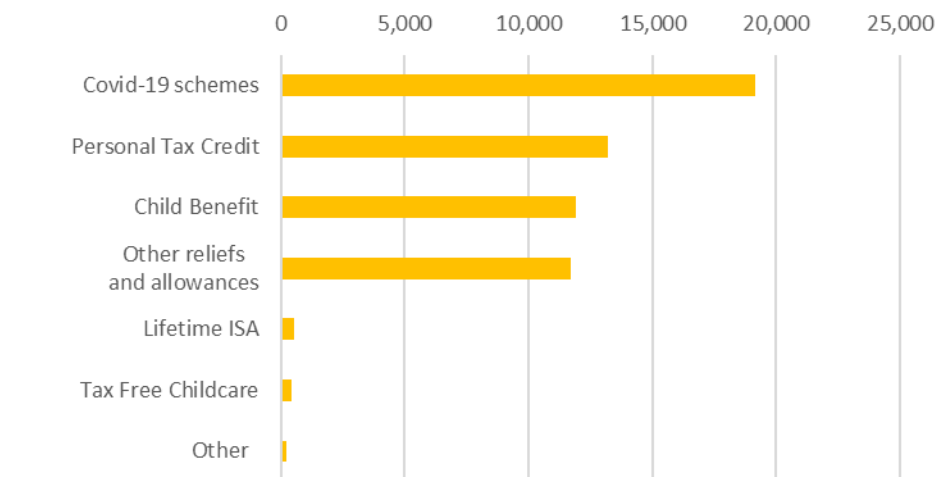
HMRC's spending is dominated by Covid -19 support programme spend

Breakdown of HMRC initial budget for 2021-22 (£ million)*

Day-to-day spending budget



Demand-led spending budget



Day-to-day spending (Resource DEL)

- The total Resource DEL budget for HMRC is **£6,072.9 million**.
- 80% of this is for **HMRC administration (£4,848 million)**
- **£765 million** (13%) is for the one-off £500 payment for households who receive working tax credit.
- **£178 million** is for the **Valuation Office Agency** and a further **£282 million** is for **other costs**.

Demand-led day-to-day spending (Resource AME)

- Total Resource AME budget is **£57,183 million**.
- **Covid-19 support schemes** make up the largest element at **£19,175 million**. £10,882 million is for the furlough scheme and £8,275 million for the Self-Employed Income Support Scheme. Both schemes are due to close on 30 September 2021.
- **Personal tax credit** payments account for **£13,214 million**, usually a substantial part of RAME spending (45% in 2019-20, compared to 11% in 2020-21 and 20% in 2021-22).
- **Child Benefit (£11,932 million)** and **Tax Free Childcare (£400 million)** make up 22% of the budget this year (29% in 2019-20, 7% in 2020-21).
- **Other reliefs and allowances** comprise **£11,728 million** of the budget for 2021-22 which includes Research and Development Relief for large and small companies, Film Tax Relief and the Guardians Allowance
- Other Resource AME costs include: **£513 million** on **Lifetime ISAs**; **£90 million** on the **Valuation Office Agency** and; **£30 million** on **HMRC administration**.

*Day-to-day spending includes depreciation; totals above will overstate cash spending as a result

HMRC's spending beyond 2021-22

The most recent spending plans were published in **Spending Review 2020**, with some further announcements in **Budget 2021**. Due to uncertainty caused by Covid-19 plans were only given for 2021-22 and some specific multi-year capital programmes under the investment budget.

Day-to-day demand-led spending:

Because of the demand-led nature of Resource AME spending, this budget is not announced in advance of the Main Estimates. The government announced the extension of the Covid-19 income support schemes:

- £11.2 billion to extend the Self-Employment Income Support scheme until 30 September 2021. The Main Estimate for 2021-22 included a budget of £8.3 billion.
- £6.9 billion for extension of the Coronavirus Job Retention Scheme until 30 September 2021. The Main Estimate included a budget of £10.8 billion.

Day-to-day planned spending:

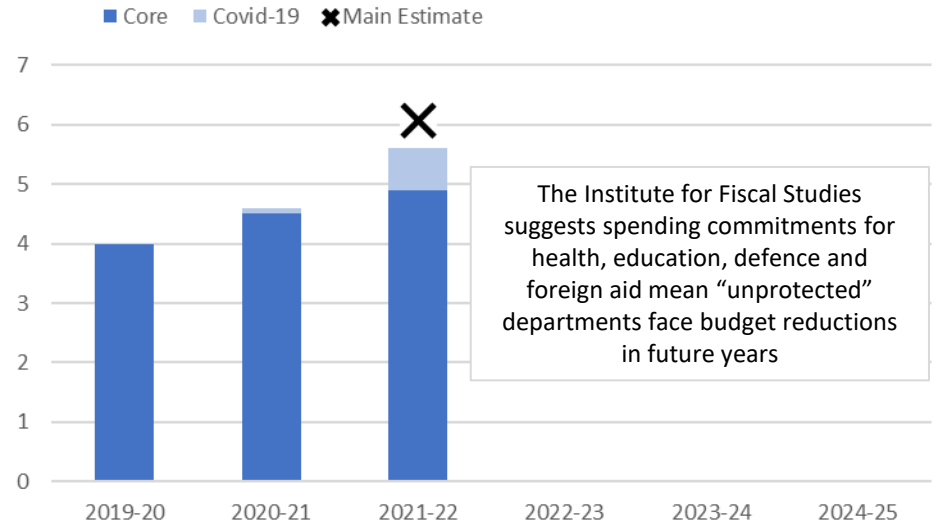
- For Covid-19 costs, the department allocated £0.7 billion in 2021-22 which matches the allocation in the Main Estimate.
- Based on figures announced in the 2021 Budget, unprotected departments such as HMRC face an average spending cut of 1% in 2022-23. It is unclear how this will be achieved.

Investment spending:

- HMRC's Capital DEL budget will increase from £0.3 billion in 2019-20 to £0.7 billion in 2021-22. The Main Estimate budget was slightly lower than the £0.7 million announced in the 2021 Budget.

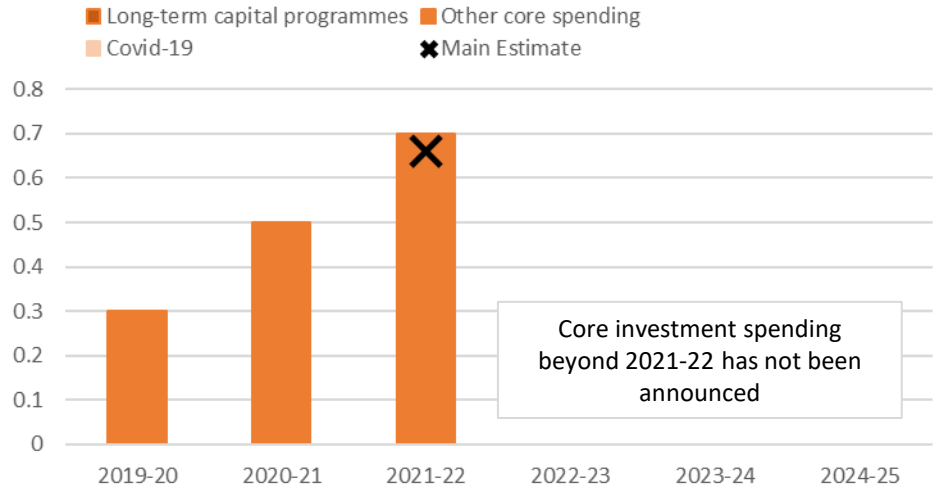
HMRC's future day-to-day spending beyond 2021-22 is largely unknown

£ billion, Resource DEL budget excluding depreciation



The Institute for Fiscal Studies suggests spending commitments for health, education, defence and foreign aid mean "unprotected" departments face budget reductions in future years

£ billion, Capital DEL budget



Core investment spending beyond 2021-22 has not been announced

*May involve day-to-day and investment spending over several years