



HM Revenue
& Customs

Jim Harra
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Dear Mr Howarth,

Thank you for your email of 28 January 2016 about your constituent [redacted] of [redacted]. I am replying on behalf of the Chief Executive and I apologise for the delay in responding to you.

Aggressive tax planning by some multinationals, who exploit the international tax system to avoid tax, is a global issue that needs a global solution.

The UK is leading in the G20-Organisation for Economic Cooperation and Development Base Erosion and Profit Shifting project to reform international tax rules. The UK is also at the forefront in encouraging tax authorities across the world to share intelligence about, and collaborate in, tackling tax avoidance by multinationals.

The Diverted Profits Tax (DPT) was introduced in April 2015 to address the artificial diversion of profits out of the country, so that multinationals pay tax on profits that would otherwise escape UK tax. DPT is designed to change companies' behaviour, so that they do not enter into arrangements designed to avoid UK Corporation Tax, rather than risk paying a higher rate of DPT. It is anticipated this will yield £1.35 billion between 2015 and 2019.

In the Budget on 16 March 2016, the Chancellor announced a number of measures to crack down further on tax avoidance by multinationals. These include:

- changes to the deduction of tax regime, to make sure the UK keeps withholding rights of all categories of royalties, unless explicitly given up under treaties or the EU interest and royalties directive;

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- measures to neutralise abuse by groups using hybrid entities and instruments to reduce tax bills, by arbitrage between different countries' tax systems;
- new rules to limit the amount of interest companies can deduct against profits to an amount equivalent with the UK taxable profits; and
- rules to make sure that profits arising from the development of property in the UK are taxed in the UK.

We are also receiving an investment of £139 million to tackle large business tax avoidance and aggressive tax planning over the next five years. We secured over £38 billion in additional tax from large businesses through our compliance work between 2010 and 2015, and have a success rate of 80% in large business avoidance cases at tax tribunals.

We treat all businesses impartially, regardless of their size. Large businesses are high-value, high-risk customers and we use considerable resources to manage those risks, with two thirds of the largest businesses under enquiry at any time. By contrast, we enquire into about 12% of small businesses each year.

We settle the vast majority of tax disputes with businesses, large or small, by agreement and are transparent about how we resolve disputes. Our published Litigation and Settlement Strategy stops us from accepting a smaller settlement than we would expect to get in court, and we will litigate where a customer does not agree to pay the tax due.

Resolution of large and sensitive disputes is subject to approval by three Commissioners of Revenue and Customs, including the Tax Assurance Commissioner, who is not involved in the conduct of disputes with customers. Every year, the Tax Assurance Commissioner publishes a report about how we have resolved disputes during the year, which provides transparency about how we are performing.

All aspects of our business, including how we resolve disputes, are subject to external scrutiny by the National Audit Office (NAO), which reports to Parliament. The NAO has full access to information we hold, including confidential customer information. In February 2015, the NAO published a report that showed we have responded positively to the recommendations from the Public Accounts Committee, and substantially increased accountability and transparency on how we resolve large tax disputes since 2010.

Our responsibility to keep all our customers' affairs confidential, large or small, means that we do not publicly disclose the details of particular tax enquiries or how we have resolved them. Google has disclosed some information about the outcome of our enquiries into their affairs, but we cannot disclose any more.

You can find details of how we resolve disputes, and the Tax Assurance Commissioner's report at www.gov.uk/government/collections/how-we-resolve-tax-disputes.

You can also read the oral and written evidence about the resolution of Google's tax dispute at: www.publications.parliament.uk/pa/cm201516/cmselect/cmpubacc/788/78802.htm.

I hope this helps you to reply to Ms Dixon.

Yours sincerely



JIM HARRA
DIRECTOR GENERAL