



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Fiona Mactaggart MP  
House of Commons  
London  
SW1A 0AA

18 MAR 2016

*Dear Fiona*

Thank you for your email of 28 January to George Osborne enclosing correspondence from one of your constituents about tax settlements by HM Revenue and Customs (HMRC). I am replying as Minister responsible for this policy area. I am sorry for the delay in replying.

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

The UK is leading in the G20-Organisation for Economic Co-operation and Development Base Erosion and Profit Shifting project to reform the 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 Government has also taken action in the UK by:

- introducing the Diverted Profits Tax (DPT). This measure came into effect in April 2015 to address the contrived 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 they stay clear of arrangements designed to avoid UK Corporation Tax, rather than risk paying a higher rate of DPT. It is anticipated to yield £1.35 billion between 2015 and 2019; and
- investing £139 million in HMRC to tackle large business tax avoidance and aggressive tax planning over the next five years.

HMRC ensures that multinationals pay the tax they owe. It has:

- secured over £38 billion in additional tax from large businesses through its compliance work between 2010 and 2015; and
- a success rate of 80% in large business avoidance cases at tax tribunals.

HMRC treats all businesses impartially regardless of their size. Large businesses are high-value, high-risk taxpayers and HMRC deploys considerable resources to managing those risks, with two thirds of the largest businesses under enquiry at any time. By contrast, HMRC enquires into about 12% of small businesses each year.

The vast majority of tax disputes with businesses, large or small, are settled by agreement. HMRC is transparent about how it resolves disputes. Its published Litigation and Settlement Strategy prevents it from accepting a smaller settlement than it would expect to get in court. In particular, HMRC will only settle for tax at the statutory rate. It will litigate where a taxpayer does not agree to pay the tax due.

HMRC has also published details of the comprehensive governance arrangements it follows, which provide assurance that disputes are resolved correctly. Resolution of large and sensitive disputes is subject to approval of three Commissioners of Revenue and Customs, including the Tax Assurance Commissioner, who is not involved in the conduct of disputes with taxpayers. Every year, the Tax Assurance Commissioner publishes a report about how HMRC has resolved disputes during the year, which provides transparency about how it is performing in this area.

All aspects of HMRC's business, including how it resolves disputes, are subject to external scrutiny by the National Audit Office (NAO), which reports to Parliament. The NAO has full access to information held by HMRC, including confidential taxpayer information. In February 2015, the NAO published a report which showed that, since 2010, HMRC has responded positively to the recommendations from the Public Accounts Committee (PAC), and substantially increased accountability and transparency for how it resolves large tax disputes.

The law requires HMRC to preserve the confidentiality of all taxpayers' affairs, large or small. That is why it does not publicly disclose the details of particular tax enquiries or how they are resolved. Google has disclosed some information about the outcome of HMRC's enquiries into its affairs, but HMRC cannot disclose more details about those enquiries.

Your constituent can find details of how HMRC resolves disputes, and the Tax Assurance Commissioner's reports, on the GOV.UK website at:  
[www.gov.uk/government/collections/how-we-resolve-tax-disputes](http://www.gov.uk/government/collections/how-we-resolve-tax-disputes).

They might also wish to review the oral and written evidence about the resolution of Google's tax dispute on the PAC's website at:  
[www.publications.parliament.uk/pa/cm201516/cmselect/cmpubacc/788/78802.htm](http://www.publications.parliament.uk/pa/cm201516/cmselect/cmpubacc/788/78802.htm).

I hope the above reassures them that the Government and HMRC are committed to stamping out tax avoidance by multinationals.

Please pass on my thanks to your constituent for taking the trouble to make us aware of these concerns.

Yours  
David

DAVID GAUKE