
Inland Revenue

Introduction

1. **RfR 1** provides for the administration costs incurred by the Inland Revenue in the management and collection of the direct taxes, tax credits and child benefit. It includes expenditure on introducing the Child Trust Fund and managing the National Insurance Funds for Great Britain and Northern Ireland and on the collection of National Insurance contributions, for which reimbursement is received from the respective National Insurance Funds.
2. **RfR 2** provides for the administration costs incurred by the Valuation Office in administering the beneficial portion of rates and providing or securing valuation and other services.
3. **RfR 3** provides for the expenditure by the Inland Revenue on transitional payments to charities previously entitled to receive tax credits on dividends. Although payment of tax credits ceased after 5 April 1999, charities are entitled to claim special transitional payments. Charities are also entitled, to receive a 10% supplement on payroll giving donations and this expenditure will be met from this RfR.
4. Also included in this RfR is the public expenditure incurred in respect of contributions by non taxpayers to personal and stakeholder pension schemes and in granting life assurance premium relief and residual payments of mortgage interest relief, to those policy holders and borrowers who are not liable to united kingdom income tax.
5. Under the relevant legislation, qualifying policy holders and borrowers receive tax relief on their premium, or interest payments. The reliefs are given by allowing the payers to deduct a prescribed percentage from their life assurance premiums, or an amount equal to 10 per cent on mortgage interest payments. The Inland Revenue reimburse the insurers and lenders for the amounts so deducted. In so far as such payments are in substitution for tax reliefs, they are met out of tax receipts.
6. It is a feature of these schemes that payers who have incomes below the tax threshold will receive relief against income tax which they have not in fact paid. So, in part, will those with incomes only slightly above the threshold. In consequence, the Inland Revenue are paying over amounts to insurers and lenders which are not in substitution for tax relief and which they cannot meet from tax receipts. The reduction in tax receipts which would otherwise occur will be met from this RfR and the payments are classed as public expenditure.
7. The public expenditure on these reliefs and transitional payments is calculated statistically and is necessarily subject to a wide estimating error. The amounts of the RfR attributable to Charities relief, life assurance premium relief, and stakeholder pensions is about 16%, 9% and 73% respectively. The amounts for payroll giving and stamp duty relief is 1%. The amount for late claims for mortgage interest relief, vocational training relief and private medical insurance is about 2%.
8. **RfR 4** provides for payments of rates to local authorities in respect of premises occupied by foreign and Commonwealth governments for diplomatic purposes and premises occupied by certain international organisations. It also covers contributions in lieu of rates on properties occupied by the Crown in Gibraltar and other similar payments.
9. This RfR previously covered contributions in lieu of rates paid on government and other Crown buildings in the United Kingdom. With the abolition of Crown exemption from 1 April, 2000, government departments will pay rates direct to local authorities. Any residual payments of contributions in lieu of rates received after 31 March 2000 are surrendered to the Consolidated Fund.

Introduction (*continued*)

10. **RfR 5** provides for payments of child benefit, Child Trust Fund endowments and associated non-cash items. The administration costs incurred are met from RfR 1.
11. Further details of the expenditure contained in this Estimate can be found in the Inland Revenue Departmental Report 2004 (Cm 6225).
12. Symbols are explained in the Introduction to this booklet.

Part I

	£
Request for Resources 1: Enabling businesses and individuals to understand and comply with their obligations in respect of their dealings with the Inland Revenue	2,581,173,000
Request for Resources 2: Growing a contribution to the good management of property where the public interest is involved	1,000
Request for Resources 3: Providing payments in lieu of tax relief to certain bodies	121,000,000
Request for Resources 4: Making payments of rates to Local Authorities on behalf of certain bodies	31,210,000
Request for Resources 5: Payments of Child Benefit and Child Trust Fund endowments†	10,213,277,000
Total net resource requirement	12,946,661,000
Net cash requirement	12,376,186,000

Amounts required in the year ending 31st March 2005 for expenditure by the Inland Revenue Department on:

RfR 1: enabling businesses and individuals to understand and comply with their obligations in respect of their dealings with the Inland Revenue

administration and the associated non-cash items incurred in the management and collection of the direct taxes, tax credits, national insurance contributions, child benefit and Child Trust Fund, administration of the National Insurance Funds for Great Britain and Northern Ireland, for services provided to the Department's information technology and wider markets' partners, for other departments and public bodies, and for overseas tax administrations.

RfR 2: growing a contribution to the good management of property where the public interest is involved

administration and the associated non-cash items incurred in the provision of valuation and other services for government departments and other public bodies by the Valuation Office Agency.

RfR 3: Providing payments in lieu of tax relief to certain bodies

transitional payments to charities, supplements on payroll giving, donations to charities and on personal and stakeholder pension schemes, life assurance premium relief, stamp duty relief and residual payments for mortgage interest relief, vocational training relief and private medical insurance.

RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies

rates paid by the Inland Revenue Department in respect of non-domestic property occupied by accredited representatives of Commonwealth and foreign countries and certain international organisations, contributions in lieu of rates in respect of properties occupied by the Crown in Gibraltar and other similar payments.

RfR 5: Payments of Child Benefit and Child Trust Fund endowments

payments of Child Benefit, Child Trust Funds and the associated non-cash items.

Part I (continued)

The **Inland Revenue Department** will account for this Estimate.

	Net total	Allocated in Vote on Account	Balance to complete
	£	£	£
RfR 1	2,581,173,000	1,140,842,000	1,440,331,000
RfR 2	1,000	—	1,000
RfR 3	121,000,000	76,950,000	44,050,000
RfR 4	31,210,000	23,407,000	7,803,000
RfR 5	10,213,277,000	4,234,842,000	5,978,435,000
Total net resource requirement	12,946,661,000	5,476,041,000	7,470,620,000
Net cash requirement	12,376,186,000	5,477,441,000	6,898,745,000

†In the Vote on Account RfR 5 was described as 'Providing payments of Child Benefits'

Part II: Subhead detail

£'000

2004-05						2003-04 Provision	2002-03 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
RfR 1: Enabling businesses and individuals to understand and comply with their obligations in respect of their dealings with the Inland Revenue									
2,980,019	3,665	-	2,983,684	402,511	2,581,173	224,380	3,059	2,688,169	2,383,102
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									
A Administration									
2,980,019	-	-	2,980,019	402,511	2,577,508	224,380	3,059	2,684,504	2,382,965
Non-budget									
B Administration									
-	3,665	-	3,665	-	3,665	-	-	3,665	137
RfR 2: Growing a contribution to the good management of property where the public interest is involved									
152,927	-3	-	152,924	152,923	1	9,661	162	2	-109
Spending in Departmental Expenditure Limits (DEL)									
<i>Central Government spending</i>									
A Administration									
152,927	-	-	152,927	152,923	4	9,661	162	-2	-121
Non-budget									

Part II: Subhead detail (*continued*)

£'000

2004-05						2003-04 Provision	2002-03 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
B Administration									
-	-3	-	-3	-	-3	-	-	4	12
RfR 3: Providing payments in lieu of tax relief to certain bodies									
-	-	121,000	121,000	-	121,000	-	-	173,000	192,691
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Payments in lieu of tax relief									
-	-	121,000	121,000	-	121,000	-	-	173,000	192,691
RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies									
-	34,920	-	34,920	3,710	31,210	-	-	31,210	26,900
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Payments of Local Authority rates									
-	34,920	-	34,920	3,710	31,210	-	-	31,210	26,900
RfR 5: Payments of Child Benefit and Child Trust Fund endowments									
-	-	10,213,277	10,213,277	-	10,213,277	-	-	9,970,830	8,989,151
Spending in Annually Managed Expenditure (AME)									
<i>Central Government spending</i>									
A Children's benefits									
-	-	9,633,277	9,633,277	-	9,633,277	-	-	9,600,830	8,989,151

Part II: Subhead detail

£'000

2004-05						2003-04 Provision	2002-03 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
B Child Trust Fund Endowments									
-	-	580,000	580,000	-	580,000	-	-	370,000	-
Total for Estimate:									
3,132,946	38,582	10,334,277	13,505,805	559,144	12,946,661	234,041	3,221	12,863,211	11,591,735

Part II: Resource to cash reconciliation

	2004-05		2003-04		2002-03	
	Provision		Provision		Outturn	
	£'000					
Net Total Resources	12,946,661		12,863,211		11,591,735	
Voted capital items						
Capital	234,041		205,914		162,098	
Less Non-operating A-in-A	3,221		3,279		7,247	
Total net voted capital	230,820		202,635		154,851	
Accruals to cash adjustment						
Adjustments to remove non-cash items:						
Cost of Capital charges	-21,376		-23,801		-23,312	
Depreciation	-151,653		-158,564		-193,388	
New provisions and adjustments to previous provisions	-600,111		-16,148		-31,145	
Profit/loss on sale of assets	-490		108		-3,443	
Prior period adjustments	-		-		-	
Other non-cash items	-390		-380		16,559	
Increase (+) / Decrease (-) in stock	-500		-300		855	
Increase (+) / Decrease (-) in debtors	-29,005		-18,270		-10,864	
Increase (-) / Decrease (+) in creditors	-1,847		-374,346		-23,288	
Use of provisions	4,077		22,252		11,891	
Total accruals to cash adjustments	-801,295		-569,449		-256,135	
Excess cash to be CFERd	-		-		-	
Net Cash Requirement	12,376,186		12,496,397		11,490,451	

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	2004-05		2003-04		2002-03	
	Provision		Provision		Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
	£'000					
Operating income not classified as AinA	-	-	-	-	27,075	12,064
Non-operating income not classified as AinA	-	-	-	-	3,024	-
Other amounts collectable on behalf of the Consolidated Fund	40,000	40,000	40,000	40,000	98,173	80,986
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-
Total	40,000	40,000	40,000	40,000	128,272	93,050

Forecast Operating Cost Statement

	2004-05 Provision	2003-04 Provision	2002-03 Outturn	£'000
Net Administration Costs				
RfR 1	2,923,271	3,039,289	2,736,227	
RfR 2	4	-2	-10,922	
RfR 3	-	-	-	
RfR 4	-	-	-	
RfR 5	-	-	-	
Total Net Administration costs	2,923,275	3,039,287	2,725,305	
Net Programme Costs				
RfR 1	-342,098	-351,120	-369,399	
RfR 2	-3	4	12	
RfR 3	121,000	173,000	192,691	
RfR 4	31,210	31,210	26,900	
RfR 5	10,213,277	9,970,830	8,989,151	
Total Net Programme costs	10,023,386	9,823,924	8,839,355	
Total Net Operating Cost	12,946,661	12,863,211	11,564,660	
<i>of which:</i>				
Net Resource Outturn	12,946,661	12,863,211	11,591,735	
CFERs	-	-	-27,075	
Non-voted expenditure	-	-	-	
Resource Budget Outturn	24,661,405	23,064,717	17,740,644	

Notes to the Main Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2004-05	2003-04	2002-03
	Provision	Provision	Outturn
Net Resource Outturn (Estimates)	12,946,661	12,863,211	11,591,735
<i>Adjustments to remove:</i>			
provision voted for earlier years	-	-	-
<i>Adjustments to additionally include:</i>			
non-voted expenditure in the OCS	-	-	-
Consolidated Fund Extra Receipts in the OCS	-	-	-27,075
Other adjustments	-	-	-
Net Operating Cost (Accounts)	12,946,661	12,863,211	11,564,660
<i>Adjustments to remove:</i>			
capital grants to local authorities	-	-	-
capital grants financed from the Capital Modernisation Fund	-	-	-
European Union income and related adjustments	-	-	-
voted expenditure outside the budget	-3,662	-3,669	-149
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	-	-	-
resource consumption of non departmental public bodies	-	-	-
unallocated resource provision	66,200	-	-
Other adjustments	11,652,206	10,205,175	6,176,133
Resource Budget Outturn (Budget)	24,661,405	23,064,717	17,740,644
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	2,975,130	3,024,942	2,696,353
Annually Managed Expenditure (AME)	21,686,275	20,039,775	15,044,291

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2004-05	2003-04	2002-03
	Provision	Provision	Outturn
Net Voted Capital Outturn (Estimates)	230,820	202,635	154,851
<i>Adjustments to remove:</i>			
gains / losses from sale of capital assets	-490	108	-3,443
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	-	-	-3,024
capital spending by non-departmental public bodies	-	-	-
capital grants to local authorities	-	-	-
capital grants financed by the Capital Modernisation Fund	-	-	-
local authority credit approvals	-	-	-
capital spending by levy funded bodies	-	-	-
unallocated capital provision	-	-	-
Other adjustments	-	-	-
Capital Budget Outturn (Budget)	230,330	202,743	148,384
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	230,330	202,743	148,384
Annually Managed Expenditure (AME)	-	-	-

Notes to the Main Estimate (*continued*)

Explanation of Accounting Officer responsibilities

The Treasury has appointed the Interim Chairman of the Board of Inland Revenue as Interim Accounting Officer for the Department with overall responsibility for preparing the Department's Estimate.

In addition the Treasury has appointed an additional Interim Accounting Officer to be responsible for that part of the Department's accounts relating to specified requests for resources for the Valuation Office Agency and the associated assets, liabilities and cash flows. This appointment does not detract from the Chairman's overall responsibility as Accounting Officer for the Department's Estimate and overall net cash requirement.

The allocation of Accounting Officer responsibilities in the Inland Revenue is as follows:

Requests for Resources 1, 3 and 5: Anne Chant, Interim Accounting Officer and Interim Chairman of the Board of Inland Revenue

Request for Resources 2 and 4: Mr David Park, Additional Interim Accounting Officer and Interim 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 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 the Treasury and published in *Government Accounting*. Under the terms of the Accounting Officers' Memorandum the relationship between the Inland Revenue's Principal and Additional Accounting Officers, together with their respective responsibilities, is set out in writing.

Notes to the Main Estimate (*continued*)

Analysis of appropriations in aid (A in A)

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A
RfR 1: Enabling businesses and individuals to understand and comply with their obligations in respect of their dealings with the Inland Revenue						
Recovery of costs of collecting NICs	345,763	—	354,785	—	355,373	—
Receipts from sale of assets	—	3,059	—	3,059	—	6,094
Receipts from certain tax penalties	15,000	—	10,000	—	19,740	—
Rent from private tenants and other government departments	5,440	—	5,440	—	15,703	—
Receipts from VOA, other government departments and other bodies	19,492	—	29,492	—	15,353	—
Other receipt	16,816	—	11,816	—	19,740	—
Total RfR 1	402,511*	3,059**	411,533	3,059	425,909	6,094
*Amount that may be applied as appropriations in aid in addition to the net total arising from: law costs recovered; recoveries of overpayments in prior years; excess cash receipts; subsidies for New Deal jobseekers employed; recovery of costs of seconded staff; receipts from sale of publications; receipts for services provided to the Valuation Office Agency, government departments and other bodies; receipts from the use of certain official cars; recovery of the costs of administering the National Insurance Funds and collection of National Insurance contributions; rent receipts from other government departments and private tenants; receipts from certain tax penalties; other administration costs receipts;						
**Amount that may be applied as non-operating appropriations in aid arising from the recovery of income from the sale of assets						
RfR 2: Growing a contribution to the good management of property where the public interest is involved						
Recovery of costs of rating and valuation services	152,923	—	191,263	—	161,638	—
Receipts from sale of assets	—	162	—	220	—	604
Total RfR 2	152,923*	162**	191,263	220	161,638	604
*Amount that may be applied as appropriations in aid in addition to the net total arising from: recovery of costs of valuation and other services, receipts from use of certain official cars, receipts from sale of information and publications, recovery of law costs, rent receipts from other government departments and private tenants, other administration costs receipts						
**Amount that may be applied as non-operating appropriations in aid arising from the recovery of income from the sale of assets						
RfR 4: Making payment of rates to Local Authorities on behalf of certain bodies						
Repayments by commonwealth and foreign countries and international organisations	3,710	—	3,710	—	3,100	—
Total RfR 4	3,710*	—	3,710	—	3,100	—
*Amount that may be applied as appropriations in aid in addition to the net total arising from: payment of rates by accredited Commonwealth and foreign countries and certain international organisations; refunds from local authorities; and Ministry of Defence property in Gibraltar						
Total A in A	559,144	3,221	606,506	3,279	590,647	6,698

Notes to the Main Estimate *(continued)*

Analysis of Consolidated Fund extra receipts

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Receipts from tax penalties	40,000	40,000	40,000	40,000	98,173	78,767
Surplus receipts of classes authorised to be applied as appropriations in aid	—	—	—	—	30,099	12,064
Community Charge receipts	—	—	—	—	—	2,219
Total	40,000	40,000	40,000	40,000	128,272	93,050

Notes to the Main Estimate (*continued*)

Administration costs limits and Departmental Expenditure Limits

Administration costs limits £'000

	Gross provision	Income	Total administration costs limit
Gross administration costs limits	3,046,219	-56,748	2,989,471
Valuation Office	152,927	-152,923	4
Total Net administration costs limits	152,927	-152,923	4

Departmental Expenditure Limits (DEL) £'000

	Voted*	Non-voted	Total
Resource DEL	2,577,512	397,618	2,975,130
Capital DEL	230,330		230,330
Less depreciation	-151,653		-151,653
Total DEL	2,656,189	397,618	3,053,807

- * i. *Capital DEL includes items treated as resource in Estimates and Accounts, but which are treated as part of Capital DEL, under stage 2 of Resource Accounting and Budgeting, as implemented in the 2002 Spending Review*
 ii. *Excludes EU receipts included in Estimates, but excluded in Budgets*

Comparisons of provision sought with final provision and forecast outturn for the previous year

The net resources sought for 2004-05 of £12,946,661,000 is 0.6% higher than the final net provision for 2003-04 of £12,863,211,000 and 4.9% higher than the forecast outturn of £12,337,211,000.

Notes to the Main Estimate (*continued*)
Cash which may be retained to offset expenditure

£'000

Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been or will be appropriated in aid

	2004-05 provision	2003-04 provision	2002-03 outturn
	562,365	609,785	597,345
