

Watchdogs tear into Revenue over lost billions

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Revenue and Customs' reputation as a competent government department "looks increasingly threadbare", the Commons public accounts committee said yesterday.

The criticism came as the National Audit Office detailed billions of pounds of overpayments in tax credits and another billion being lost to fraud and error.

In its annual audit of the department, the NAO said overpayment in tax credits amounted to £6.6bn. Between £1bn and £1.3bn was paid in 2004-05 to claimants not entitled to it, with "no evidence to demonstrate

a lower estimate" for last year.

On income tax, the PAYE computer system is struggling to cope with the changing world of work. As a result, the department may not be pursuing some £800m of tax due, while taxpayers are likely to have overpaid by £340m and potentially 5m people are not paying the right amount of tax.

Some £135m a year is being lost because tax due on pensions is not being collected, while the department missed its target for the proportion of online self-assessment tax returns filed on time because it cut its media advertising. There is also evidence that organised criminals are obtaining fraudulent repayments on self-assessment returns.

The department had, however, made some progress on "missing trader" frauds on VAT, said Sir John Bourn, the NAO's head.

Edward Leigh, chairman of the public accounts committee, said taxpayers' money was "being wasted hand over fist" while the scale of overpayments on tax credits "takes the breath away".

Paul Gray, chairman of HMRC, defended its record, saying the audit office's report also recognised "that the department is getting it right in many ways". It had reduced tax fraud and delivered a near 8 per cent increase to £437bn in revenues to the exchequer, he said. It was also processing record numbers of employers' returns faster than ever before.