



HMRC, the ultra-rich and the not-so-rich

Parliament's Public Accounts Committee thinks that the "government must take a tougher stance on taxing the very wealthy."

In 2009, HM Revenue & Customs (HMRC) set a specialist team to focus on the tax affairs of high net worth individuals (HNWIs is the jargon). At the time, HNWIs were defined as people with net assets exceeding £20m, although in 2016 the threshold was cut to £10m. The latest figures (for 2014/15) shows that this select group of around 6,500 individuals paid £3.5bn in income and capital gains tax – over £535,000 a head.

That might sound like a healthy contribution to government finances, but a report from the House of Commons Public Accounts Committee (PAC) issued in January was highly critical of HMRC's efforts in handling their richest clients, each of which is allocated a dedicated "customer relationship manager". The PAC felt that HMRC was not tough enough in dealing with tax evasion and avoidance by HNWIs, even though at any one time a third of the group were subject to open enquiries into their tax affairs. There was a call for more prosecutions: in the five years to 31 March 2016, HMRC completed investigations into 72 HNWIs for potential tax fraud, but only two of these were criminal cases, of which one was successfully prosecuted.

One worrying suggestion from the PAC was that HNWIs should be required to provide details of their assets on their tax returns, a feature of some other countries' tax systems. The PAC notes that "HMRC has been looking at what further information HNWIs could be required to report to help improve its understanding of their wealth. The Department told us the issue is currently being considered by ministers."

If you are thinking that you don't count as a HNWI, do not imagine that HMRC is neglecting you. Two years after the HNWI Unit was set up, the Affluent Unit was established, which now covers people with income of over £150,000 and/or net assets of £1m or more. The latter criterion is significant: rising house prices and strong investment markets have swollen the potential members of this second tier.

As we near the tax year end, make sure that you talk to us about any tax planning before taking action – or hearing from a unit of HMRC...

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