

Is HMRC letting big business off the tax hook?

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HMRC have announced a new tax amnesty. And this time it is for big business. It's called the [Profit Diversion Compliance Facility](#), and what it basically does is to permit multinational companies that have been less than candid with their transfer pricing arrangements to now bring their past defaults to the attention of HM Revenue & Customs and make amends with limited risk a penalty apply.

Why is HMRC doing this? The clue might be in para 4.4.1 (some of us have been reading the small print) which says:

*Our investigations into Profit Diversion to date have established that in a **large number** of cases the factual pattern outlined to HMRC at the start of an enquiry does not stand up to scrutiny once tested. That may be a result of a careless error (for example individuals within a group being unaware of what the actual facts are) but it may also be a result of a deliberate behaviour, that is a group knowingly submitting a TP methodology in a Corporation Tax Return based on a false set of facts. A common issue is an overstatement of functions performed, assets used and risks assumed in entities taxed at lower rates, and an understatement of the functions performed, assets used and risks assumed in the UK.*

I added the emphasis.

This begs questions. In particular:

- a) What is the total estimated value of trade subject to transfer pricing a year?
- b) How many TP specialists does HMRC have?
- c) How many investigations do they do a year?
- d) What is the value of transactions subject to enquiry annually?
- e) How many of those enquiries resulted in the view that “the factual pattern outlined to HMRC at the start of an enquiry [did] not stand up to scrutiny once tested”?

f) What is the sum recovered?

g) How many of those enquiries were subsequently referred to Fraud Investigation Service?

h) What is the anticipated yield of this current exercise?

HMRC needs to be saying a great deal more.

NB: My thanks to Alex Cobham of Tax Justice Network and Robert Palmer of Tax Justice UK for input on this issue.