

HMRC 'less willing' to offer plea bargains

The number of 'plea bargain' type-agreements HMRC entered into with UK taxpayers has fallen for the second year in a row, according to figures obtained by law firm Pinsent Masons.

Taxpayers can apply under HMRC's contractual disclosure facility for immunity from prosecution for tax avoidance if they meet certain conditions, including agreeing to pay back any tax and penalties owed. HMRC grants applications on a case-by-case basis. However, the number of agreements entered into by HMRC fell to 438 last year, down from 486 in 2017-18 and 20% lower than the 549 agreements entered into in 2016-17.

Tax disputes and investigations expert Steven Porter of Pinsent Masons said that the growing amount of data that HMRC now receives on taxpayers' offshore savings and investments has reduced its need to enter into plea bargain-style agreements.

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"HMRC has a growing stack of individuals that it is confident it can prosecute," he said. "Its new investigatory powers and the reams of data that HMRC gets from private banks, letting agents, the Land Registry and accountants means it is not short of leads. That means it is less enthusiastic – or even willing – to offer plea bargain agreements.

"Plea bargain agreements have become increasingly popular with taxpayers in recent years. In the past, only those with very large tax exposures used these agreements but now those who owe much smaller sums are applying for them," he said.

HMRC has received information on 5.7 million offshore bank accounts held by UK taxpayers since the introduction of the Common Reporting Standard global data-sharing initiative in 2016-17.

Porter said that regardless of the success of information exchange initiatives, HMRC should continue to market the contractual disclosure facility and similar schemes. The tax authority collected £95.8 million in tax through agreements under the scheme last year, up from £91.1m in 2017-18, he said.

"These immunity deals are a powerful incentive to those who would otherwise have little reason to come forward," he said. "They also generate very substantial amounts of revenue without all the cost of investigations and prosecutions – over £200,000 per case."
