Tackling Fraud against the Inland Revenue

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
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executive summary

Introduction

1 The overall aim of Inland Revenue (the Revenue) is to maximise the compliance of taxpayers and other clients with the regulations governing tax and other areas such as tax credits. The Revenue face various risks of non-compliance including error, negligence, tax evasion and frauds. It can often be difficult to distinguish between these risks; for example, to decide whether a case involves genuine error or evasion. This report focuses on the risks of external fraud against the Revenue, which we have defined as:

- 'tax fraud' - deliberate evasion of tax;
- 'tax credit fraud' - deliberate claiming of tax credits to which claimants know they are not entitled.

2 The Revenue collect direct taxes and National Insurance contributions, £214 billion in 2001-02, representing around one half of all public revenue. Even a small percentage loss to tax fraud could amount to billions of pounds. The Revenue also face risks of fraud in tax credit payments. The Revenue made payments of £5.7 billion in Working Families' Tax Credit and Disabled Persons Tax Credit in 2001-02. The level of payment is expected to increase from April 2003 when the new Child Tax Credit and Working Tax Credit are introduced.

3 We have examined the work of the Revenue to counter tax and tax credit fraud, with particular reference to:

- the challenges they face in understanding and addressing the risks of fraud;
- the steps they take to detect and deal with fraud when identified;
- their efforts to prevent fraud in the first place.

4 We examined the Revenue's work by employing specialist economic and risk management consultants to evaluate their methodologies for measuring and understanding fraud and their approach to risk management. We examined how the Revenue prevent, detect and investigate fraud in practice based on interviewing staff at headquarter and local offices and examining operational data. We consulted organisations and individuals in the public and private sector to identify examples of good practice and to determine how the Revenue's anti-fraud practices compare with and affect other organisations in the UK and abroad. Further details are set out in Appendix 1.

Key conclusions

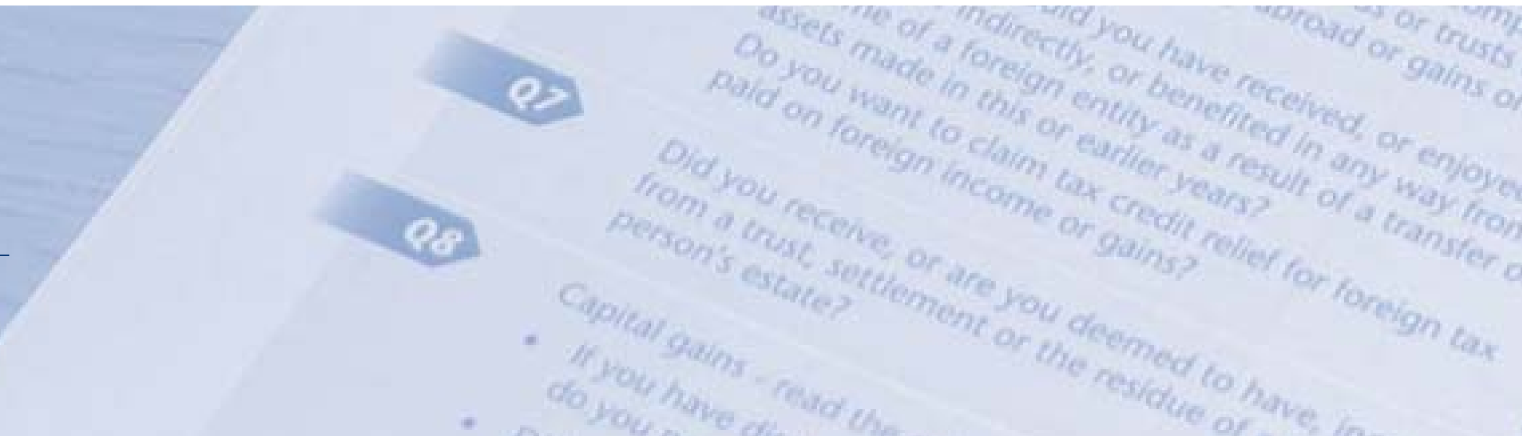
Compliance strategy

5 While tax is generally perceived as necessary in principle by most taxpayers, attitudes to compliance vary, with some unwilling in practice to comply or co-operate with the Revenue. The Revenue first set out their compliance strategy in the mid 1980s. It has evolved since, drawing on and influencing the compliance strategies of other fiscal authorities, the key objectives being to:

- maximise compliant behaviour;
- make it as easy as possible for individuals and businesses to claim entitlements and to comply with their obligations under the law, at the lowest possible cost to them and to the government;
- identify and put right the conditions that lead to individuals and businesses not complying, as well as individual instances of non-compliance;
- prevent failure and enable customer compliance as well as dealing with those who do not comply.

6 To encourage compliance the Revenue seek to use both traditional enforcement activities and enabling activities such as providing greater education and support to customers. They aim to balance the deployment of resources against all risks of non-compliance and to maintain a presence in all business areas, to ensure a deterrent effect and fairness to all customers. It is important that the Revenue have a clear view of the risks of external fraud and the resources and approaches they are going to use to tackle them. During 2002 the Revenue have for the first time started to develop an explicit fraud strategy as part of their wider compliance strategy, aimed at clarifying accountabilities and ensuring the risks of fraud are understood and acted upon appropriately by all operational areas.

7 The Revenue spent £428 million on activities such as enquiries and investigations to tackle non-compliance in 2001-02 (some 17 per cent of total Revenue costs) and achieved an overall yield to cost ratio of 8.3. The yield to cost ratio is lower than in previous years, but the Revenue expect recent compliance improvement initiatives to result in increased yield in future years. The Revenue's decisions on where to target resources are strongly influenced by retrospective comparison of the costs and yield of enforcement activities, as well as results from research into risk. To determine the appropriate level of resources and their likely effects in preventing and reducing non-compliance it is important to have robust information on losses through non-compliance. The Revenue are developing such information in relation to particular areas of the tax system, but have not found any reliable measure of the overall difference between 100 per cent compliance and actual compliance (the 'tax gap'), and the proportion of this that is explained by tax fraud. In these circumstances, it is difficult to judge the Revenue's success in tackling non-compliance and fraud.



Measurement of fraud

8 It is inherently difficult to estimate the full extent of the tax gap, as there is no independent and reliable measure of the level of income or profits that should be declared and thus the level of tax due. Factors that make this difficult include determining the scale of activities in the shadow economy, the use of cash transactions, and other methods of concealment, often beyond the jurisdiction of the UK. Generating a reliable estimate of the shadow economy is problematic. There is no best estimation method. Each has its own strengths and weaknesses and yields its own insights and results. We identified recent research on the shadow economy in overseas countries, using techniques that may be applicable in the UK, to produce aggregate estimates for the lower limits of the recoverable tax gap. The Revenue acknowledge the need to obtain information on tax at risk within the shadow economy, but they consider the approaches they are developing will generate practical information on how and where tax is lost in the shadow economy that cannot be obtained from a single aggregate estimate.

9 In line with many overseas fiscal authorities, the Revenue have concentrated their efforts on improving their understanding of why and where tax fraud occurs, and through programmes of enquiries on random samples of tax returns, they have made progress in estimating the levels of tax at risk of non-compliance. Most progress has been made on Income Tax Self Assessment where for 1997-98 the Revenue estimated that £1.8 billion of tax was at risk of non-compliance, and potentially not collected, equivalent to 3.9 per cent of the estimated £46.3 billion from 1997-98 tax returns. In the same year 15 per cent of cases in the random enquiry programme for Income Tax Self Assessment generated additional tax yield greater than £500. These cases account for 89 per cent of the total value of tax at risk, which extrapolates to £1.6 billion or 3.5 per cent of tax from 1997-98 tax returns. A small proportion of the cases examined (3.5 per cent) resulted in the application of penalties, or referral to the Special Compliance Office for investigation (two cases), indicating a generally low level of negligence and fraud overall. The results of the 1998-99 programme are expected in February 2003, in part reflecting the time required for submission of tax returns and completion of the enquiry work and analysis. Drawing on the latest approaches being developed in measurement techniques, including those used overseas, we have recommended a number of potential improvements to existing methods for the Revenue to consider.

10 The Revenue have not produced estimates of the level of fraud in tax credit payments. To improve their understanding of the level and nature of the risks of error and fraud in tax credits, the Revenue are analysing a random sample of awards. The results of this work are being used to refine risk assessment and enquiry procedures for Working Families' Tax Credit and Disabled Persons Tax Credit and influence the design of compliance processes for Working Tax Credit and Child Tax Credit. Random enquiry programmes will be established for the new tax credits from 2004-05 onwards.

Tax enquiry work

11 The Revenue have introduced greater prescription across the Department of the criteria used to target tax returns for enquiry by local tax offices to ensure consistent and adequate coverage in high risk sectors. The tax year 2001-02 is the first year in which new risk criteria drawing on the results of random enquiry programmes have been used to target tax returns for enquiry. It is too early to assess whether changes in the basis of selection have led to improvements in yield and detection rates.

Tackling fraud in the shadow economy

12 Lord Grabiner, in his report "The Informal Economy" (March 2000), commissioned by the Chancellor of the Exchequer, recognised that individuals and businesses operating in the shadow economy may be committing frauds against more than one government department. The Revenue have made good progress in implementing his recommendations to combat tax and benefit fraud. For example, the Revenue have worked closely with HM Customs and Excise, and the Department for Work and Pensions in setting up 20 Joint Shadow Economy Teams to co-ordinate action in sectors identified as areas of greater non-compliance risk. For the Revenue the initial results of this joint working are promising, indicating a potentially better average return on jointly worked cases compared with the equivalent enquiry work. The Revenue should continue to use the experience gained to identify where the joint approach maximises value, and should publicise the successes of joint working to maximise the deterrent effect and the receipt of information from the public.

13 In response to Lord Grabiner's recommendations, a new offence of evading Income Tax was introduced from 1 January 2001. The Revenue see this as a particularly useful means of prosecuting those involved in fraudulent activities in the shadow economy. This can involve either those who fail to declare, or under-declare, their income tax, including employers and employees who collude in committing this offence. The Revenue will be more likely to prosecute if there are further offences against other public sector regimes, in particular tax credits, National Insurance Contributions, Value Added Tax or benefits. In 2001 the Revenue received £2.0 million to recruit 42 new investigators and seven managers to conduct criminal investigations with a view to use of the new offence. As at December 2002, 21 cases were being worked towards prosecution, reflecting the time needed for the offence to come into force and to train the new investigators. Expected numbers of referrals to the new investigation teams set up to tackle the types of fraud highlighted in Lord Grabiner's report have not yet materialised. Local tax offices have needed time and assistance to understand and develop their approaches to this new type of work. Both the Revenue and the Department for Work and Pensions have taken time to work through the practical arrangements for the proper use of respective information gathering and sharing powers. The Revenue plan to identify and prosecute more cases and create the intended deterrent effect amongst those working in the shadow economy.

Tax credit enquiry work

14 The Revenue have established procedures to manage the risk of non-compliance on tax credits based on both the Department for Work and Pensions' and their own experience on compliance. The implementation of non-compliance work for Tax Credits has not been without its problems as highlighted in my standard reports on the accounts of the Revenue in 2000-01 and 2001-02[1]. They are making progress in tackling these problems. For

1 *Standard Report on the Inland Revenue Appropriation Account 2000-01 (HC 335-XVI, February 2002), and Standard Report on the Accounts of the Inland Revenue 2001-02 (published within The Department for Inland Revenue 2001-02 Accounts, HC71, December 2002).*

example, the proportion of cases where non-compliance has been detected, and the additional yield identified, has doubled between 2000-01 and 2001-02, reflecting refinements and improvements to their work on tackling non-compliance. While early results suggest detection rates will have increased again in 2002-03, it is difficult to assess the effects of this work in the absence of any overall estimate of non-compliance and fraud.

Investigating and prosecuting serious fraud

15 The Revenue's Special Compliance Office has some 600 staff, of whom 301 specialist fraud investigators and their support staff are responsible for investigating serious fraud and implementing the Revenue's prosecution policy. Each year the Office complete between 400 and 450 individual fraud investigations. Between 1998-99 and 2001-02 the Office recovered £1.4 billion in tax, interest and penalties. Compared with earlier years there has been a fall overall in yield to cost ratio of the Office's activities in 2001-02. This is explained by increased costs associated with new criminal prosecution work on tax credit and 'Grabiner' work, and a reduction in overall yield explained in part by an increase in mentoring activities by investigators across other Revenue offices. The Office have been particularly innovative in researching and pursuing the leads arising out of existing investigations through projects, but the resources that can be dedicated to this valuable type of work are constrained by the need to strike the right balance between project work and completing existing investigations.

16 Most serious tax fraud investigations result in civil settlements requiring payment of the tax due, and in most cases financial penalties and interest. Civil investigation in cases of suspected serious fraud involves providing a taxpayer with the opportunity to fully disclose all irregularities in their tax affairs regardless of nature or size (the 'Hansard' procedure). The aim is to encourage admissions and disclosures. All cases dealt with under the 'Hansard' procedure are settled on a civil basis where a taxpayer makes a full and complete confession in response to the opportunity provided. Civil investigation of serious fraud appears very cost-effective, for example, generating around 30 per cent of the Office's £337 million additional yield in 2001-02. In 2001-02 the overall yield to cost ratio for all Special Compliance Office civil investigations, including non-fraud cases, was 20:1.

17 The Revenue's compliance activities need to be backed up by a robust prosecution policy that maximises deterrence and encourages full disclosure by taxpayers. The Revenue operate a selective prosecution policy designed to achieve an appropriate level of deterrence within the overall level of resources available for tackling non-compliance. Between 1998-99 to 2001-02, the Revenue's criminal prosecutions resulted in 183 defendants being convicted (a 75 per cent conviction rate). To maximise deterrence the Revenue need to ensure that a high proportion of criminal prosecutions result in guilty verdicts or pleas, while at the same time not avoiding those cases where the outcome is less certain. With a conviction rate of around 75 per cent, the Revenue appear to have struck a reasonable balance.

18 Criminal investigation of serious tax fraud is very resource intensive, with investigations taking two years on average to complete. The Revenue have taken action on the lessons from cases where conviction was not achieved and are looking to reduce average case times. For example, reviewing elapsed time on cases and ensuring arrangements are in place to counter claims for abuse of process stemming from delays in investigation. The Revenue concentrate on selecting for prosecution higher value, more complex and serious cases of fraud, whilst seeking coverage across different sectors and geographical areas.

To maximise deterrence across the range of their operations, the Revenue need consider, subject to resource availability, how they might increase the total number of prosecutions and extend prosecution coverage across all taxpayer groups and within lower value cases of tax evasion.

19 In 2000, the Revenue received £1.9 million to recruit 42 new investigators to pursue criminal prosecution work on tax credit fraud. To date relatively few prosecutions have been carried out on Working Families' Tax Credit, reflecting the time required to identify frauds and train new investigation staff. In addition, the Revenue do not have the legal basis to obtain information from third party sources such as banks, which has resulted in a number of suspected tax credit fraud cases not proceeding to criminal investigation. This will be addressed in new tax credits legislation coming into force in 2003. As at December 2002, 57 cases had been brought to court, 56 of which resulted in conviction, with a further 28 cases pending. The Special Compliance Office expect the number of cases to increase, and as at December 2002 133 investigations were ongoing.

20 Given the particular importance and challenging nature of their role in tackling fraud against the Revenue, the Special Compliance Office need sufficient staff with the appropriate experience. They are currently experiencing problems in maintaining a sufficiently experienced cadre of investigators, as investigators seek promotion opportunities elsewhere within the Revenue or leave to take up jobs in the private sector. The Office need to keep abreast of fraud risks as they constantly evolve. They also face a significant expansion in their workload as new areas of work come on stream. The introduction of the Money Laundering Regulations 2001, the Anti-Terrorism Crime and Security Act 2001 and the Proceeds of Crime Act 2002 are leading to increased intelligence on tax fraud and creating new roles and responsibilities for the Office. The Office are taking action to address their recruitment problems, but face a challenge in responding fully to new opportunities, continuing to develop as a major investigative unit and maintaining their quality standards.

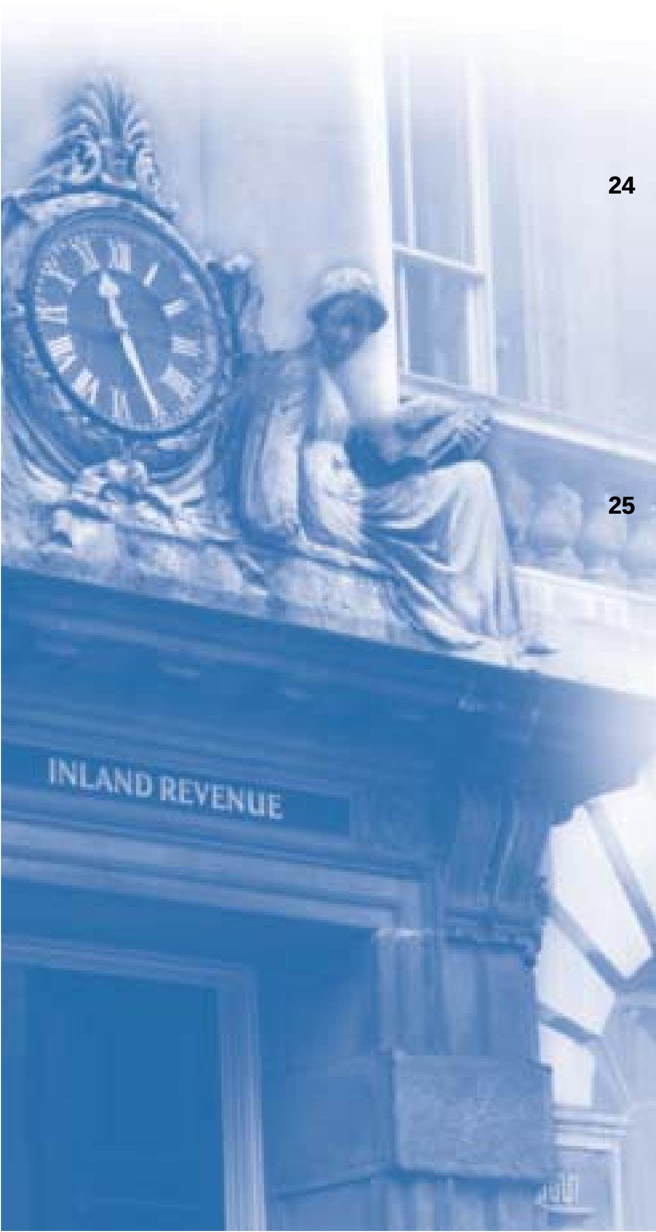
Preventing fraud against the Revenue

21 The Revenue have used changes in legislation and the design of tax systems to prevent non-compliance, particularly where specific problems have occurred. The amendments in 1999 to the 'Construction Industry Scheme' are a good example of where they improved registration and increased tax deduction at source to reduce tax fraud and other non-compliance. To reduce the scope for error and to help compliant taxpayers get their returns correct, the Revenue have sought to simplify systems and introduce various educational and support initiatives allowing them to target increased resources at non-compliant taxpayer groups. For example, 'Right Track Teams' have been established to target unregistered individuals and businesses operating in the shadow economy and to help them back into, and remain in, the legitimate economy. Business Support teams have been established to provide increased support to new businesses. A number of improvements and changes are being introduced, in systems and as part of the new tax credits legislation, to address problems in tackling non-compliance and fraud experienced in Working Families' Tax Credit and Disabled Persons Tax Credit.

22 The Revenue have taken effective action to tackle and prevent emerging threats of tax fraud. For example, in 2000-01 the Revenue worked closely with the Occupational Pensions Regulatory Authority to improve their arrangements for sharing information and the controls over transfer of pensions between pension schemes to counter the risks associated with the fraudulent early liberation of individuals' preserved pension funds ('pension busting'). Pension busting frauds, if allowed to escalate, presented a serious threat to the tax treatment of over £1,200 billion of savings in UK approved pension fund schemes and the

well being of the schemes' intended beneficiaries in old age. The action taken by the Revenue on pension busting highlighted a number of wider lessons including the importance of effective liaison between operational areas and fraud investigators, and that the wider implications of individual fraud cases are fully considered and acted upon. Pension busting also highlights the importance of being proactive in identifying risks of fraud that may impinge on other departments, and the speed of response required to stop proliferation of new types of fraud. Building on the steps taken to tackle pension busting, the Revenue should identify the stakeholders in other key departments and ensure they maintain good contacts with them to identify, as far as possible, potential frauds at the earliest possible stage.

23 The Special Compliance Office consider that a major threat of serious fraud arises from the use of offshore accounts and structures. This is not a new problem, but there are increasing numbers of more complex evasion arrangements involving higher values of fraud. The Office have achieved success in tackling individual cases, but tackling the root causes and increasing the likelihood of detection have proved more challenging. In the last four years the Revenue have made significant progress in developing and improving sources of intelligence through closer working with other agencies and authorities in tax havens. Money Laundering Regulations and other legislation have opened up new sources of intelligence, and concerted international action has helped to isolate countries engaged in harmful tax practices. The Office have growing evidence that taxpayers have exploited the services offered by financial institutions to conceal funds offshore. The recent Proceeds of Crime Act 2002 establishes a criminal offence of failing to report suspicion of tax evasion designed to achieve stricter compliance with money laundering regulations. This could lead to further progress provided financial institutions and professional advisers recognise their full reporting requirements.



24 The Revenue recognise that increased public awareness may maximise the deterrent effect of their compliance activities including investigation and prosecution of serious fraud. They are evaluating new research into the deterrent effects of enquiry work, and into the effects of different approaches to achieving compliance with one key risk client group. They have also commissioned research into customers' attitudes to compliance. They need to consider how they might extend their evaluations of deterrence so that they are in a position to determine the relative effects of different approaches including civil settlement versus criminal prosecution.

25 The Revenue also recognise that more and better use needs to be made of publicity in influencing public behaviour and increasing levels of compliance and voluntary disclosure. They are currently looking at the lessons from the publicity campaigns launched by HM Customs and Excise and the Department for Work and Pensions aimed at changing peoples' attitudes to fraud. The Revenue are attempting to publicise their compliance work through periodic briefings to the media, writing articles for the professional press and through press releases on, for example, certain projects. While they have achieved good media coverage in local and specialist press, they have achieved limited national media coverage of individual criminal prosecutions, though steps are being taken to address this. They could do more to publicise specific compliance activities, including the use of publicity in advance of compliance work in specific sectors, to heighten the perception that the likelihood of detection is high and encourage voluntary disclosure.

recommendations

On overall strategy and risk management

(a) The Revenue are currently developing an explicit fraud strategy aimed at clarifying accountabilities and ensuring the risks of tax fraud are fully understood and acted upon appropriately by all operational areas. It is important that the Revenue have a clear view on where the risks are, and can demonstrate that the responses and resources deployed are appropriate. We recommend that the approaches and resources for tackling known fraud risks are clearly set out along with the outcomes expected from the use of those resources (paragraph 1.17).

On measuring fraud

(b) The Revenue do not see estimating the shadow economy as a priority because they have not identified any reliable and practical techniques to assess the scale of unknown activity in the shadow economy and its effect on the tax gap, partly because aggregate measures will include non-taxable activity. We recognise that the Revenue, in line with other overseas fiscal authorities, are pursuing measurement techniques that provide them with practical information on how and where non-compliance is occurring in particular areas of the tax system. However, we consider there are benefits in terms of overall risk management in having an aggregate estimate of the shadow economy if a reliable and practical technique can be identified. With this in mind we recommend that the Revenue continually review new research on shadow economy measurement techniques (paragraph 1.13).

(c) The Revenue are making good progress in developing approaches to improve their understanding of tax fraud. Paragraph 1.23 and Appendix 2 summarise detailed findings and recommendations on the approaches being used. These include:

- The random enquiry programme is designed to give estimates of the proportion of non-compliant taxpayers. It only covers registered taxpayers, however, and will not find all under-reported income. The estimates therefore understate the likely true scale of non-compliance. The US Internal Revenue Service have attempted to estimate the extent of this under-recording, and scale up the results of their taxpayer audits accordingly. The Revenue should consider whether this approach would prove useful.
- On tax, the outcomes of random enquiry programmes are not broken down by fraud, negligence or error. Doing so may enhance the value of the information in determining the most appropriate operational response and deployment of resources. We acknowledge this would require a degree of subjective judgement about culpability in each case, and even to different facets within each case, and that UK and overseas fiscal authorities agree this is difficult in relation to tax. We recommend, however, the Revenue consider how they might break down the random enquiry results in this way.
- On tax credits, it may be easier to determine whether each case involves error or fraud. While acknowledging the challenges involved in always being able to differentiate between error and fraud, we recommend that as the random enquiry programmes for new tax credits are implemented the Revenue consider how they might break down the results in this way.
- The results of random enquiries, in terms of estimates of the monetary values of tax at loss are currently subject to wide margins of error. As the programme proceeds additional years data should enable reductions in margins of error. We recommend the Revenue conduct research to see if the results of targeted enquiries can be used in statistical models to reduce uncertainty in estimates of tax at risk.

(d) The random enquiry programmes represent a major step forward in producing estimates of tax and tax credits at risk of non-compliance. If it is possible to reduce margins of errors in the results, the Revenue should, as the results of future programmes become available, use these estimates to develop performance measures and targets for reducing the monetary value of tax and tax credits at risk (paragraphs 1.23 and 1.24).

On detecting and investigating fraud

(e) Initial results from joint working on shadow economy cases are promising. The Revenue should seek to build on this success by (paragraphs 2.9 - 2.12):

- considering increasing the level of staff resources deployed within Joint Shadow Economy Teams along with extending Joint Team coverage where this approach maximises value;
- developing closer links between Joint Teams and the Special Compliance Office to improve the flow of intelligence and referrals for investigation;
- increasing referrals from external sources to the Joint Teams by publicising joint working initiatives and the mechanisms for reporting information to the departments;
- generating more referrals to Joint Teams from within the Revenue by improving internal publicity of this new area of work.

(f) Expected numbers of referrals to the new investigation teams set up to tackle the types of fraud highlighted in Lord Grabiner's report, have not yet materialised. Building on the progress already being made, the Revenue should ensure effective arrangements are established for 2003-04 for liaison and sharing of information between investigators, local tax offices, Risk Intelligence and Analysis Teams, Joint Shadow Economy Teams and the Department for Work and Pensions. The aim should be to increase the numbers of investigations and successful prosecutions using the new offence (paragraphs 2.15 and 2.16).

(g) Special Compliance Office criminal investigations take two years on average, and for civil investigation of serious tax fraud the average case duration is two to three years. Close monitoring of the costs and progress of individual investigation cases is essential. The Special Compliance Office should make full use of the new management information system to plan staff usage and evaluate progress and outcomes on investigations, and seek to reduce the average time of investigations. They should ensure they differentiate between the different elements of their investigation work such as civil investigations of fraud and criminal investigations of tax fraud, 'Grabiner' work and tax credits (paragraph 2.27).

(h) The Special Compliance Office should continue to develop their relationship with local and other specialist offices within the Revenue, building on recent developments. The aim should be to ensure all potential serious fraud cases are identified in a timely manner, a consistent and corporate approach is adopted in each case and to raise awareness about new external fraud risks (paragraphs 2.30 and 2.31).

(i) The scope of the useful Business Anti-Fraud Hotline facility is unnecessarily restricted and we consider its value would be increased if the Hotline remit were widened to include all fraud against the Revenue and its existence publicised (paragraph 2.33).

(j) The Special Compliance Office are increasingly becoming involved in joint counter-fraud initiatives with other agencies. They should consider the benefits of increasing the levels of joint training and secondment initiatives with others as part of a drive to further develop relationships and understanding (paragraph 2.37).

(k) The Special Compliance Office have achieved success in securing convictions in a number of high value and complex tax fraud cases. In the context of the scale of operations and the total numbers of cases referred to the Office, the number of prosecutions ordered is low (around 50 per year since 1998-99) and mainly concentrated on higher value cases. The numbers of tax credit fraud prosecutions are increasing and a number of cases involving use of the new offence of evading income tax are working towards prosecution. The Revenue, subject to resource availability, should seek to increase the numbers of tax fraud prosecutions, including some in lower value cases, to ensure deterrence is maintained across the whole spectrum of taxpayers (paragraph 2.50).

recommendations

(l) The Revenue have used the powers conferred by the Criminal Justice Act 1988 since 1995, and have developed the use of legislation to confiscate in Revenue cases the full proceeds of crime rather than simply the loss to the Exchequer. In the last four years, the Revenue have sought suitable cases to build on this principle. The Revenue need to continue to build on these successes, ensuring that the good practices developed in the cases to date are fully applied in future cases and that the new opportunities afforded by the Proceeds of Crime Act 2002 are implemented quickly (paragraph 2.56).

(m) The Special Compliance Office do not seek disqualification of company directors in all cases where they could. They should consider disqualification of company directors in all relevant cases, drawing on the approach of HM Customs and Excise (paragraph 2.57).

On preventing fraud

(n) The Revenue have a range of arrangements in place to encourage and assist individuals and businesses operating in the shadow economy into the legitimate economy. The Tax Faculty of the Institute of Chartered Accountants in England and Wales have suggested to the National Audit Office that the Revenue may be able to be more flexible about imposing interest on overdue tax and ensure the granting of instalment arrangements beyond twelve months was more formalised and easier to anticipate as a Revenue practice. The Revenue should consider jointly with the Tax Faculty the benefits of this suggestion (paragraph 3.8).

(o) The action taken by the Revenue to tackle 'pension busting' highlighted a number of lessons for both the Revenue and other government departments and agencies. These lessons should be widely disseminated (paragraph 3.11).

(p) The Revenue must continue to work closely with the banking and credit card industry, and professional representative bodies, to tackle the problems associated with offshore accounts and structures, and realise the full benefits of new reporting requirements. They should also publicise the fact that funds concealed offshore are increasingly likely to be investigated, and back this up with better publicity of the results of successful investigations and prosecutions demonstrating the severe consequences for those found guilty (paragraphs 3.18, 3.19 and 3.21).

(q) The Revenue should extend their evaluations of the deterrent effects of compliance activities to improve their understanding of where resources may be deployed to best effect. Amongst other methods this could include monitoring recidivism rates amongst taxpayers subject to enquiry or investigation by maintaining a record of repeat offences by customers previously subject to sanction (paragraph 3.26).

(r) On publicity, the Revenue need to reconsider their priorities on compliance and:

- consider the benefits of launching a national publicity campaign aimed at raising awareness of the consequences of committing tax fraud both to society and individuals drawing on the lessons of other departments (paragraph 3.28);
- drawing on the lessons learnt from the approaches of overseas fiscal authorities, be more active in publicising information on the existence of new forms of fraudulent activity and tax evasion schemes, the results of specific compliance activities and, where appropriate, plans to conduct future compliance work in specific sectors (for example, the Special Compliance Office's work on cash inducements in the hotel and catering industry) (paragraph 3.29);
- achieve increased media coverage of successful criminal prosecution cases by, for example, linking this to wider annual publicity on the achievements of the Special Compliance Office (paragraph 3.30).