



# HM Revenue & Customs

Carnihan

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Date: 26 April 2018  
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Dear Mr/Ms Carnihan

## **Freedom of Information Act 2000 (FOIA)**

Thank you for your request, which was received on 27 March, for the following information:

"I'm studying economics and would like to know if you can help me better understand what happens to tax revenue after HMRC collect it.

Specifically, can you help me understand:

1. Is some tax revenue kept by HMRC, and subsequently used to pay for the three public services that it has specific responsibility for administering: statutory payments, child benefit and tax credits?
2. Is the remainder of the tax revenue - not needed for those three public services - transferred to the Government Banking Service?
3. Is any revenue transferred directly to other government departments for them to spend?
4. Is any revenue transferred back to the Bank of England?"

I will answer each point in turn:

1. Tax revenue collected by HMRC is passed through our bank accounts to the Bank of England and onward to HM Treasury, the Exchequer. Detail can be found in HMRC's Trust Accounts.

Money that HMRC needs to pay for HMRC running costs and to pay out tax credits and child benefit is drawn down into HMRC bank accounts from HM Treasury via the Bank of England. This money is voted (allocated) through Parliament and is managed separately from tax revenue through our Resource Accounts. Money that is needed to cover Statutory Payments such as maternity and sick pay are drawn down from National Insurance Fund bank accounts at the Bank of England.

HMRC Trust Accounts and Resource Accounts are published and available online at <https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2016-to-2017>

2. Government Banking provides a shared banking service to central Government Departments and other public sector bodies, and facilitates inter-departmental transactions to protect public money, and reports overall government cashflow to HM Treasury.

<https://www.gov.uk/government/groups/government-banking-service-gbs>

3. The majority of tax revenue collected is passed directly to the Bank of England then onto HM Treasury. HMRC do however move some money directly to fund the NHS and to the Department of Education to fund Student loans.

4. HMRC's bank account balances are regularly cleared through the day to move tax receipts to the Bank of England and onward to HM Treasury, in order to protect public money and ensure funds are available to the Exchequer.

If you are not satisfied with this reply you may request a review within 2 months by emailing [foi.review@hmrc.gsi.gov.uk](mailto:foi.review@hmrc.gsi.gov.uk), or by writing to the address at the top right-hand side of this letter.

If you are not content with the outcome of an internal review, you can complain to the Information Commissioner's Office. You can do this by accessing the following link: <https://ico.org.uk/concerns/>

Yours sincerely,

Freedom of Information Team