

How HMRC collects tax revenue to support Government policy

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Introduction

HMRC stands for Her Majesty's Revenue and Customs. It is the body responsible in the UK for the collection of tax in its various forms. It was formed in 2005 by merging the Inland Revenue and Customs departments. HMRC collects taxes on behalf of the government, which uses them to provide public services such as education, law and order, defence, roads and social benefits. HMRC is a non-political body and is not headed by a minister, although it is, ultimately, responsible to the Chancellor. As well as its tax duties, HMRC administers benefits such as tax Credits and Child Benefits, protects the UK from illegal trade such as drugs, makes sure the national Minimum wage is being paid and recovers student loans.

Control of the economy

The main economic aims of government are usually stated as:

- * control of inflation, or rising prices
- * low levels of unemployment
- * achieving a balance between imports and exports
- * improving the standard of living and
- * economic growth. Government controls the economy by passing laws and by the use of taxation and subsidies.

Taxation is direct or indirect. Direct taxation is taken from a person's or company's income or profits. National Insurance "€" which is used to fund health, welfare and pensions "€" is also collected directly. Indirect taxation is tax that is added to the price of goods and services. The most common one is the 17.5% VAT added to all products except certain exempt ones such as food and baby clothes.

[h]Policy

To reach their aims, governments use two types of policy.

- * Monetary policy involves controlling the supply of money, for example by changing interest rates. The value of the £ against other currencies, or the exchange rate, is also controlled.
- * Fiscal policy involves changing the flows of taxation and public expenditure.

Collecting taxes

One of the most important principles of taxation is that it should be easy to collect. Income tax is taken directly from income. Employees pay through the PAYE (Pay As You Earn) system and tax is deducted by the employer. Anyone who is self-employed, such as a sole trader or partner, has to inform HMRC and fill out a tax return so that income tax can be assessed. They are also responsible for collecting the income tax of any employees. Companies pay tax on their profits.

Communication

HMRC has developed effective communications systems to make sure that it operates efficiently. They have used the latest online technology so that people can file tax returns online. On the electronic form, calculations are carried out automatically. HMRC also uses a variety of media in its advertising campaigns to remind people of their tax obligations. They also provide opportunities for people to ask for help in completing forms correctly.

Conclusion/h2]

For the government to carry out its aims, HMRC must be efficient. The use of online technology has added to that efficiency. This is good for all of us, as society as a whole benefits from public expenditure.