The future of tax

Management of taxes



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Angela MacDonald writes about the transformation of the future of tax and the fundamental changes to HMRC’s operations

Key Points

What’s the issue?

HMRC has undergone the biggest modernisation of the UK tax system in a generation, involving fundamental changes to the way the department works and the services it provides.

What can I take away?

It is in the process of modernising its estate, reducing 170 disparate national offices to a more streamlined 13 modern
regional centres.

What does it mean to me?

If anything, HMRC believes that its customer service offerings will be improved, as more advanced technology and an increasing use of data means that HMRC no longer needs a physical presence in every town.

HMRC is undergoing a transformation to ensure the UK has a tax administration fit for the challenges, changes and opportunities of the 21st century economy. To do this, we have undergone the biggest modernisation of the UK tax system in a generation, involving fundamental changes to the way the department works and the services it provides.

This is a real opportunity to innovate and invest in the future of the nation’s tax administration. Our projected targets to improve customer service will deliver an extra £920 million in revenue by 2022 and a total of £7.2 billion in additional revenues from evasion and compliance by 2020/21. We are in the process of modernising our estate, reducing 170 disparate national offices to a more streamlined 13 modern regional centres to provide the best service possible for customers, tax advisers and agents.

I know that concerns have been raised about this transformation; that it removes the familiar local offices and will be a threat to the quality of our work and relationships with customers, but the opposite is true.

Our estates programme: the rationale

HMRC’s ambition is to become one of the most digitally advanced tax authorities in the world – but it can only do this by becoming a more highly skilled and flexible organisation, by making better use of technology and by working differently. In

2015, we had around 58,000 staff spread across an ageing network of 170 small offices ranging from ten to more than 5,000 people. These were expensive to run and created isolated pockets of colleagues where collaboration was difficult and ultimately impacted on the service we were able to give.

Our new Locations Programme, which will be fully rolled-out by 2022, will see the introduction of 13 modern regional centres across the country from Glasgow to Cardiff, five specialist sites and a head office in London and, until 2027, eight transitional sites. Indeed, our sites in Belfast, Bristol and Croydon are already up and running. These will offer a mix of business activity and services to tax advisers, agents and customers. It is one of the UK's largest office property programmes and the locations were chosen according to a clear set of principles: size, sustainability, proximity to leading universities and colleges, access to transport and accessibility for customers and colleagues. The locations are all supported by high-speed digital infrastructure and cutting-edge learning and development facilities to attract the best tax professionals to meet the challenges of today and also develop the next generation for the future.

We announced this strategy to colleagues in 2015 and have had a clear regional strategy for the last five years. Our recruitment and building of skills in recent years has been done with this direction firmly in view. It is true to say that these changes will see a number of colleagues leave the organisation as they are not able to make the practical move to the new centres. We will lose the experience that these colleagues have but we have been working hard to manage the effects of their loss and will continue to do so as we move forwards.

What impact will these changes have for tax advisers?

Customer service will not be reduced by the move to our new regional centres; if anything, it will be expanded. More advanced technology and an increasing use of data means that HMRC no longer needs a physical presence in every town. But, more than ever before, we will be able to tailor our work to provide a more streamlined service to individuals and their tax advisers and representatives.

HMRC's role is to maximise government tax revenue, ensure compliance, minimise the tax gap and deliver the best value to the taxpayer and to do this we have to have good communications with tax advisers, agents and customers.

Today, more customers than ever are contacting us and undertaking tax transactions digitally. In 2019, 93.5% of Self Assessment returns were filed online. Indeed, the transformation in digital capability is a key factor underlying our Locations Programme, as it has revolutionised the options customers have over when and how they interact with us. More than 21 million customers are signed up for the Personal Tax Account and the HMRC mobile app goes from strength to strength.

Making Tax Digital for Business also makes things quicker and easier for customers by using the data we hold, and the data we source from third parties, in ever more sophisticated ways. That involves focusing on how we can support agents and other intermediaries to help us make sure the right tax is paid at the right time.

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But we recognise that one size doesn’t fit all. Some people who are older or have particular needs want and need direct support from us – face-to-face, over the phone or by post. We need to be able to cater to this whole spectrum of needs and we remain committed to delivering an inclusive service across all channels.

So, there will be changes for customers precisely because we’re making our tax administration fit for the future. Our modernisation means we can tailor what we do to all our customers. It enables us to use what we know about our customers to provide a level of service that suits their needs and make it as easy as possible for them to deal with us.

What does this mean for tax advisers and agents?

As a senior leader in customer focused organisations for 25 years, I understand that it is critical to those providing the vital role of professional adviser to have the data and the service that they need to carry out that role effectively. We know at present that it can be convoluted and time consuming for agents to look after the tax affairs of their clients and we are working hard to provide a system with an end-to-end single customer view, to make it easier.

At the heart of this work is ensuring we have world-class cyber security defences to protect the data HMRC holds on taxpayers. We continuously review our processes to

ensure they keep pace with security best practice, taking account of constantly evolving cyber threats. In 2016, HMRC was the 16th most phished brand globally. As a result of the department's work to combat scams, its ranking has dropped to 126th. Our need to design solutions to keep pace with the latest in cyber security, and the speed with which that environment continues to evolve, has meant our delivery of effective and, most importantly, secure agent services is taking a little longer than we would ideally like. But we are onto it as a priority.

I know that some have expressed concerns that the locations changes add further risk to an already ever-changing tax environment. That's why I'm already engaging with tax advisers and, importantly, listening to their concerns, as we continue on this transformation journey. I recently spent the day with a Leeds agent, Oliver & Co., to hear about their concerns and to discuss how these changes will affect them. There was a robust exchange of views but we both agreed on one crucial point – that transformation was needed for the sake of our customers and to ensure the revenue for UK public services.

I was upfront about what we are doing to improve things and that we are making headway but there is no quick fix. It will take time. It takes significant investment to achieve our ambition to have a tax system fit for the future, but we are onto it.

What's next?

The way people live, work and pay their taxes continues to transform. The 'job for life' is increasingly rare, the gig economy is expanding, more people are moving out of PAYE into more complicated tax arrangements and the UK's departure from the EU will all impact on our economy in 2020 and beyond. HMRC is also transforming.

HMRC and private sector tax professionals know this transformation is important and why it needs to be done. It's for the sake of our professions, for our customers and for the UK's public services. We're taking our first steps, and now we need to continue that journey to make sure it's right for the future.