Public Accounts Committee: inquiry into the performance of HMRC in 2022-23

General Features



22 November 2023

CIOT, ATT and LITRG report on the evidence they provided to the Committee's inquiry.

The inquiry (see tinyurl.com/ycku35e4) is addressing the following areas:

- HMRC's performance in collecting revenue and managing compliance;
- the main components of the £814 billion raised by HMRC in 2022-23; and
- HMRC's customer service and debt management performance.

A summary of our evidence is set out below.

CIOT comments

Our response focused on HMRC's service levels, which have been – and remain – the single greatest concern expressed by our members for at least the previous 18 months.

We drew upon the results of our survey into HMRC's service levels (tinyurl.com/37xtn69u). These demonstrate that service levels are not just having a significant detrimental impact on tax matters, but also on the wider economy, such as the ability and costs of doing business, and cash flow/finances. They are also having a negative impact on the tax system as a whole, such as attitudes to tax compliance and trust in the tax system.

We expressed concern that in order to save resources HMRC are adopting radical strategies, such as the closure of telephone lines, removal of paper processes and diverting callers to online resources, without fully understanding the impact on taxpayers and their compliance.

While recognising that increased digital interaction may be desirable for all parties, we said that any compulsion to use digital services should be undertaken in a managed way, extending practices more widely only when reliable evidence demonstrates its effectiveness. We also expressed concern that there is a lack of understanding as to why people are not using available digital services.

We said that the fact that HMRC report that nearly 45% of the tax gap is arising from 'mistakes' is a damning indictment on the complexity of the tax system. Following the abolition of the Office of Tax Simplification, we remain concerned that HMRC and HM Treasury will be unable to achieve real simplification of the tax system, particularly if governments continue to introduce complexity at each fiscal event through new measures. In the meantime, we said that HMRC need to ensure that their customer service offering, including their guidance and digital services, better enable taxpayers to understand and comply with their obligations and claim their entitlements. Otherwise, we are concerned that these elements of the tax gap will increase.

We also expressed concern that HMRC's resource constraints are fuelling unsatisfactory compliance approaches. While we recognise and do not condone the abuse of research and development (R&D) relief, HMRC's volume compliance

approach is causing significant problems, including discouraging genuine R&D activity and claims. Similarly, HMRC's 'one to many' letters may reduce costs for HMRC, but can increase costs for taxpayers and agents, while their effectiveness is still to be determined.

ATT comments

Overall, our members are very frustrated with HMRC's current performance and our response similarly focused on this area. HMRC's current performance is patchy at best. When systems and processes work, they can work well and quickly. But when things do not work, taxpayers can experience significant issues and it is very difficult to find someone within HMRC to take ownership and resolve the issue. System problems can be particularly frustrating. If the computer says no, then taxpayers and their agents are left going in circles around different helplines trying to find a solution.

We are struggling to see that significant improvement in performance is achievable in the short to medium term with HMRC's current resources. We support HMRC's longer term digital ambitions, but there is a big gap between where we are now and the promised, sunlit digital uplands of the future. It is difficult to see how HMRC can bridge that gap.

We would like to see more targets for the processing of post, beyond the current focus on 15/40 working days, to deal with post backlogs. We think that there need to be more digital services for agents, specifically the ability to amend or update PAYE codes online and direct access by phone or email to the Agent Maintainer Team.

Finally, we suggested that more testing of new or updated services by agents and tax professionals – in addition to the testing that HMRC carry out with the general public – might help to improve the design of digital services.

LITRG comments

The LITRG submission focused on HMRC's digital services, the attempts to move people from phone and post channels to digital, and service levels – all from the perspective of low-income, unrepresented taxpayers.

We acknowledged the benefits that digital services can offer people when done right, but we also highlighted the problems for those unable to use digital channels and the need for HMRC to support those individuals.

We said that some of HMRC's digital services (which includes online guidance) are not yet at the standard required in order to facilitate a significant channel shift, and that HMRC should focus on building and improving digital services rather than forcing people to move before they, or the services, are ready. We also highlighted the potential impacts of forcing a channel shift too early.

We expressed concern about some of the decisions taken by HMRC in order to move people from using post and phone channels to digital and encouraged HMRC to think about other steps they could take to free up capacity in the phone and post channels.

We said that some of the decisions appeared to be made without a sufficient understanding of people's behaviour and why they use the phone and post instead of existing digital channels.

We also highlighted our concerns about the evidence base used to make some of the decisions and about the extension of initiatives without full evaluation. We concluded that in the shorter term, HMRC need additional resources with the right skills to meet the current demand while they work to improve and develop digital services.

At the time of going to print, the Committee had not yet published our evidence, and we are unable to publish it ourselves until they do so. But keep a look out on the submissions pages on our websites, and in the weekly email newsletter.

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