

HM Treasury Spending Review 2025

CIOT and LITRG respond

General Features



24 March 2025

CIOT and LITRG submitted a joint representation to HM Treasury regarding the Spending Review 2025.

The Spending Review 2025 is taking place in two phases. In the Autumn Budget on 30 October 2024, the Chancellor Rachel Reeves set out the outcome of phase 1, which confirmed departmental budgets for 2024-25 and set budgets for 2025-26. She also announced the total level of funding planned for phase 2, which will conclude and be published in the late spring of 2025.

Phase 2 will prioritise delivering the government's missions. As part of this, departments will be expected to make better use of technology and seek to reform public services, to support delivery of the government's plans for a decade of national renewal. HM Treasury explained the spending review process in a press release published in December 2024 (tinyurl.com/4cmr2yfe).

We made several recommendations for targeted investment in HMRC, many drawing on the findings from our recent study of HMRC customer service undertaken jointly with ICAEW ([tinyurl.com/y5hwuszc](https://www.icaew.com/~/media/News-and-Analysis/2023/23-08-24-icaew-hmrc-customer-service-study)). These recommendations will help the government to achieve its three strategic priorities for HMRC – improving customer service, closing the tax gap and modernising and reforming HMRC.

1. Quantify the exchequer benefits of investing in HMRC customer service

Of the £843.4 billion of tax collected by HMRC in 2023-24, around 95% was paid without the need for HMRC compliance intervention. HMRC's customer services, and reputable tax agents, are helping to deliver this 95% compliant behaviour. We believe that effective HMRC customer service and the work of reputable agents generates a positive revenue benefit.

In our summer 2023 member survey regarding HMRC customer service, to which 760 people responded, 98% of respondents said that poor service levels have a 'moderate' or 'significant' negative impact on trust in the tax system, 93% said they have a 'moderate' or 'significant' negative impact on attitudes to tax compliance, and 95% said that poor service levels have a 'moderate' or 'significant' negative impact on the ability to do business (see [tinyurl.com/mv7tnns8](https://www.icaew.com/~/media/News-and-Analysis/2023/23-08-24-icaew-hmrc-customer-service-study)).

In a similar way to calculating the return on investment in compliance, we recommended that HMRC and HM Treasury calculate the return on investment in HMRC customer service, and the value that reputable agents bring to the tax system. This return on investment is both the cost saving of collecting tax revenues without compliance intervention, and the economic value of businesses and taxpayers being able to comply with their tax affairs as simply and quickly as possible, so they can focus their energy on growing their businesses.

2. Maintain investment in traditional contact channels until digital services have demonstrably reduced demand

HMRC have been adopting a 'digital first' strategy since at least 2012. Improving HMRC's digital offering will help to modernise and reform HMRC, provided those digital services are implemented effectively and can meet the needs of taxpayers

(see below).

Funding to pursue HMRC's 'digital first' strategy should be supported by funding to maintain a high level of phone and webchat customer services, at least in the interim period. It is our firm view that phone and webchat services should not be curtailed until digital services are comprehensive, working effectively and have demonstrably reduced demand.

Even with investment in digital services, the need for HMRC to provide support to some unrepresented taxpayers will not go away. Those who cannot interact digitally and those for whom digital services cannot provide the help and support they need will continue to require alternative methods of contact to help them pay the correct amount of tax first time. HMRC need to better understand the needs of these taxpayers and to what extent existing and new digital services meet those needs – something LITRG are willing and able to support with.

3. Invest in the introduction of a complex cases service

While it is important that people contacting HMRC get through to an adviser, during our joint study only 34% of calls fully resolved the issue about which the agent was phoning, and in around 40% of cases a further phone call to HMRC would be necessary. The introduction of a service to help taxpayers and agents resolve complex cases, with a suitably experienced HMRC team, would help to improve the resolution of cases and reduce the number of cases that are escalated to complaints. We were pleased to see the announcement last month of a new personal tax query resolution service for agents (tinyurl.com/5b59f6su) and we discuss this in the introduction to Technical Newsdesk. We look forward to working with HMRC on its implementation.

4. Investment in a progress chasing mechanism and digital reassurance

A key finding of our joint study was that a significant level of demand on HMRC's phone lines and webchat was being driven by HMRC themselves. More than one third of attempts to contact HMRC during our study were to chase progress on existing matters. Our evidence also suggests that high levels of queries and

correspondence are being lost in HMRC systems, leading agents to call HMRC just to obtain reassurance that their correspondence has been received and allocated to the correct team.

We recommended that HMRC introduce an external tracking mechanism, enabling taxpayers and agents to track that HMRC have received their correspondence, and to see which HMRC team the correspondence has been allocated to for checking progress. This provides reassurance and sets reasonable expectations, reducing the need to continually call HMRC. Using HMRC salary data and extrapolating the time spent progress chasing from the data we gathered, we estimated that eliminating progress chasing calls would represent a potential annual saving to HMRC of over £36 million.

5. Increasing the use of email and digital communication

Postal correspondence can result in delays because items go missing in the post and items are lost in HMRC systems. During our joint study, we received numerous examples of postal correspondence and enclosures being incorrectly split by HMRC, and sent to different teams. HMRC are encouraging greater use of digital tax services and digital record keeping by businesses. Our evidence highlighted that there is a significant appetite to communicate with HMRC digitally.

While recognising that there are security concerns to address, it is our view that the use of email and digital communications will ensure that an HMRC adviser picks up a complete query (with all attachments and files), reduce delays by eliminating scanning, etc. and generally speed up the communication process.

6. Investment in digital services

We and our members are supportive of HMRC's 'digital first' strategy. Indeed, this desire for better, comprehensive digital services was a strong message from the participants in our joint study.

HMRC need adequate funding to improve legacy digital systems where this will provide demonstrable benefit, and ensure that new digital systems meet certain minimum requirements so that they operate effectively and meet the policy objective. Targeted investment in these areas allows agents and taxpayers to self-

serve more effectively, reducing volume on helplines and webchat.

Our full submission can be found at: www.tax.org.uk/ref1441.

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