

HMRC transformation plans: moving towards digital first

General Features

Management of taxes



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Exchequer Secretary James Murray shares his plans for the future development of HMRC.

Exchequer Secretary to the Treasury James Murray delivered his first major speech on taxation at the recent CIOT/ICAEW conference to mark the 20th anniversary of HMRC's formation (see tinyurl.com/msz5wzjn).

He started by reminding the audience how much more tax filings and claims are made digitally today compared with 20 years ago, before looking forward to exponential progress: 'However much the way in which people interact with the tax and customs system has changed in the last 20 years, the next 20 years – even the next five years – offer the chance for far greater change than we have seen in the past.'

HMRC's Transformation Roadmap

The Exchequer Secretary promised more details on plans for HMRC to become a digital-first organisation:

'Later this year, following confirmation of Phase 2 of the Spending Review, we will publish an HMRC Transformation Roadmap, bringing together our strategic and transformation ambitions into a single, public document.'

This sounds like a broader roadmap than the original digital roadmap promised at last autumn's Budget and delivery after the Chancellor's June Spending Review should mean that the new roadmap comes with agreed funding. The autumn Budget set Phase 1 of the Spending Review for 2025-26 and promised Phase 2, covering revenue spending for a further two years (2026-28) and capital spending for a further four years (see tinyurl.com/mv484mk8).

Several digital announcements were made, including a trial of voice biometrics as a means of securing taxpayer calls to HMRC and a technical pilot with the United States Customs and Border Protection to test digital solutions to speed up processes for US and UK businesses trading goods with each other - worth a combined £115 billion in 2024. The digital pilot will look to use real time data, such as digital certificates and online identifiers, to make processes faster and more efficient.

Benefits for individuals

The Exchequer Secretary also announced two changes to benefit individual taxpayers.

HMRC will launch a new PAYE portal in April 2025, intended to be an easy way for taxpayers to check the data that HMRC holds on their employments and pensions, to notify any changes and to find simple explanations to understand the impact of changes on their tax codes. Based on HMRC's RTI data, there were 30.4 million employees in February 2025, as well as an estimated 8.5 million pensioners who were liable for tax - all of whom could benefit from the new portal (see tinyurl.com/3ybr87wd). Of course, this information is also available in the HMRC app, which is now used by 4.7 million people.

Additionally, at some stage in the parliament, the Income Tax Self Assessment reporting threshold for trading income will be increased from £1,000 to £3,000, and aligned with new reporting thresholds for property and other taxable income, at £3,000 gross each.

This change to the trading income reporting threshold could lift around 300,000 customers out of the need to file a Self Assessment tax return. Around 90,000 will have no tax to pay and so will not need to report their trading income to HMRC at all, whilst those who owe tax will be able to use a new, simple online service to do so quickly and easily.

Jonathan Athrow, HMRC's Director General, Customer Strategy and Tax Design, expanded on this to note that the digital system needs to be built - hopefully as part of the personal tax account (see tinyurl.com/43z956s2). A simpler digital system to allow individuals to report lower value income sources without the full complexity of Self Assessment was a recommendation from the Office of Tax Simplification (see tinyurl.com/mwa7sf8v).

Benefits for tax agents

James Murray announced that HMRC will launch a new service to provide a dedicated escalation route for agents with Self Assessment and PAYE queries which are over four weeks old. This will be operated by a new, dedicated team of experienced technicians, who will adopt a 'once and done' approach, taking end-to-end ownership of cases and maintaining regular communication with agents. 'This builds on the changes we announced last October where we combined PAYE and Self Assessment queries, introduced a dedicated option on the Agents Dedicated Line for repayment progress chasing, and launched agent webchat.'

Closing the tax gap

Finally, the Exchequer Secretary made several announcements to support one of his three goals for HMRC - to close the tax gap. Later this year, HMRC will launch a new reward system for informants, enabling those who provide information to receive tax-based rewards, as in the US and Canada. The scheme will target serious non-compliance in large corporates, wealthy individuals, offshore and avoidance

schemes.

There will be a consultation this spring on a package of measures to tackle promoters of marketed tax avoidance, alongside draft legislation to prevent abuse by non-compliant umbrella companies by April 2026.

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