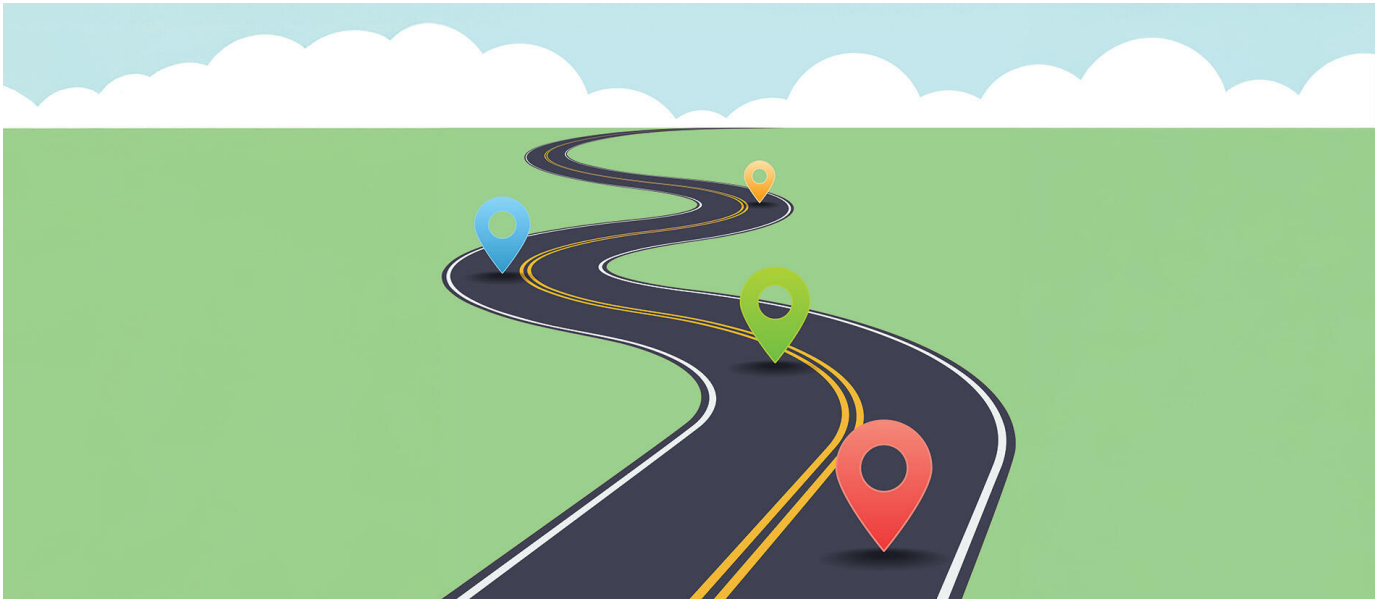
HMRC’s Transformation Roadmap: the future tax system

Management of taxes | General Features



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We consider the plans set out in HMRC’s Transformation Roadmap and its vision for the future.

HMRC’s Transformation Roadmap was published on 21 July 2025 and is an extensive vision for HMRC’s future and the future UK tax system (see tinyurl.com/bddpc8hb). Of course, there is a great deal about digital, but there’s also lots of discussion about the need for cultural change within HMRC and how to benefit from working extensively with others. There has clearly been a great deal of work within HMRC to develop detailed plans for investment and change. Publishing the 63 page Transformation Roadmap after the Chancellor’s Spending Review demonstrates that funds are available – some £7 billion over the three to four year spending review period.

The ambition is set out at the start: ‘To improve customer experience and close the tax gap, HMRC needs to reform and modernise the fundamental infrastructure of tax

and customs administration. Over the spending review period, HMRC will overhaul its legacy IT infrastructure and invest heavily in AI, data capabilities and new platforms that increase the security and efficiency of HMRC's operations and provide an improved picture of a customer's tax affairs and compliance risks closer to real-time.'

HMRC intends that 90% of interactions with taxpayers will be digital – up from 76% currently. This reflects similar growth in customer interaction with banks – and the roadmap reports that the Exchequer Secretary and senior leaders in HMRC have spent time with digital exemplars, including Octopus Energy, Centrica, Barclays and NatWest banks and John Lewis. Major UK banks and utilities have similar challenges to HMRC in moving forward from outdated IT infrastructure. It's good to see that HMRC is exploring 'through a test-and-learn approach, using its adviser-led services (phone and webchat) to coach customers to self-serve online'.

New digital systems

The roadmap covers new digital systems, including a new customer relationship management system 'which will enable more personalised support for customers and their advisers. This will be supported by technology that joins HMRC's systems up.' Individuals joining Making Tax Digital for Income Tax are being migrated from the older CESA platform to the new enterprise tax management platform (ETMP) and no doubt other Self Assessment taxpayers will be migrated afterwards. A new system to manage corporation tax will be built to replace the legacy CoTax system.

The roadmap notes that the government will not be proceeding with MTD for corporation tax, but that working with stakeholders will 'develop an approach to the future administration of CT that is suited to the varying needs of the diverse CT population'. Inheritance tax will be digitised from 2027-28 and, of course, VAT is already on the modern ETMP system. There will be a new secure digital channel for three-way communications between HMRC, taxpayers and agents, including document exchange.

Using data

There is great emphasis on extra data – and making better use of it. Pre-population will be expanded, so that HMRC will fill in data fields in tax returns for the taxpayer to check and approve. Better data will allow for more accurate tax codes and simple assessments. Data will also support targeted ‘nudges’ to prevent taxpayers from making errors both in Self Assessment tax returns and in Making Tax Digital submissions. Third party data will support automatic registration of taxpayers for Self Assessment and MTD.

Closing the Tax Gap

Closing the Tax Gap is naturally an important part of the roadmap, given that it is one of the government’s three priorities. The document notes that: ‘HMRC is taking a multi-faceted approach to address the small business tax gap through digitalisation, use of third-party data, and improving standards in the tax advice market.’ HMRC is also investing in taxpayer education and better guidance. No doubt some of the 5,500 new recruits will contribute to additional compliance enquiries, but the numbers of micro businesses means that tax audits alone will not solve the tax gap.

Another major tax gap area is legal interpretation, where HMRC estimates that £5.4 billion was lost in 2023-24. ‘HMRC will tackle the tax gap caused by legal interpretation, including through clearer expectations in guidance products and by pursuing available options for legislative changes in those areas most prone to a disputed legal interpretation challenge.’ The new Guidelines for Compliance should help, as would adding more examples into HMRC guidance.

Artificial intelligence

There’s lots about using AI. ‘The department plans to increase and expand its use of AI to target compliance activity, guide customers to the right advice, follow up on the minority that have not paid the right tax, and empower colleagues to work more effectively. HMRC is making use of machine learning and Generative AI to streamline administrative tasks such as summarising customer calls. HMRC will continue to adopt AI responsibly, applying its established ethical and safety controls, ensuring alignment with government AI, technology and accessibility frameworks, and HMRC’s Charter standards.’

This is a landmark document from HMRC and it’s good to see it will be updated periodically. It heralds investment in HMRC’s people and systems to the benefit of all of us. I recommend the roadmap to you!

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