Our performance

How we delivered against our strategic plans in 2017-18

16  Maximising revenues due and bearing down on evasion and avoidance
30  Transforming tax and payments for our customers
38  Designing and delivering a professional, efficient and engaged organisation
48  Our key statistics
52  Progress against our commitments
Maximising the collection of the tax and duties that are legally due goes to the heart of our vital purpose. We help the honest majority to get their tax right and make it harder for the dishonest minority to cheat the system.

We know it’s much better and more cost effective to help customers get their tax affairs right from the start, rather than spend time and resources fixing mistakes after they happen. That’s why we’re using powerful new tools to analyse our data and produce richer insights into our customers’ needs and behaviours. It means we can tailor our customer services, spot emerging risks, and act faster to prevent problems before they occur. Crucially, it also means our specialists can respond with maximum impact to tackle deliberate tax avoidance and evasion.

**Our strategy is to:**

- segment customers by type and size, and tailor our customer services based on behaviours, capabilities and the level of risk
- promote compliance and prevent non-compliance as early as possible in each customer’s relationship with us, while responding strongly to deliberate non-compliance
- reduce the likelihood of disputes by helping more customers to get their affairs right, but where disputes occur to resolve them by agreement or through litigation — whichever best secures the tax that is legally due.

**This year’s performance highlights:**

- £605.8bn Record total revenues
- £30.3bn Compliance yield
- 90%+ Successful tax prosecutions
Segmenting customers and tailoring services

Everything we do starts with what we know about our customers, and how we can make it straightforward for them to register, file and pay the right tax at the right time.

That’s why we’re re-orienting our systems and processes to meet the needs of five different groups – and using digital technology to enable more customers to manage all their tax affairs in one place.

This framework means we can closely tailor our services to the requirements of each group and allocate our resources in the best way to help customers. It also means we can identify and prioritise risks more easily and cost-effectively, while maintaining fairness and consistency across the board.

We define our five customer groups as:

**Individuals:**
Customers have incomes below £150,000 and assets below £1 million. Read more on page 22

**Wealthy individuals:**
Customers are individuals with incomes above £150,000 or assets above £1 million. Read more on page 28

**Small businesses:**
Customers have a turnover below £10 million and fewer than 20 employees. Read more on page 36

**Mid-sized businesses, charities and public bodies:**
Customers have turnovers between £10 million and £200 million or have 20 or more employees. Read more on page 42

**Large businesses:**
We broadly define a customer as a large business if it has a turnover exceeding £200 million – although we also look at other factors, such as their UK and global footprint or the sector they operate in. Read more on page 50
Promoting compliance and preventing non-compliance

When we talk about compliance, we simply mean paying the right tax at the right time, in line with the tax rules. The best way to tackle non-compliance is to prevent it happening in the first place — and that’s about providing good customer service for the majority as well as cracking down on the minority who break the rules. This approach is at the heart of our strategy to maximise tax revenues for the UK’s public services.

We also have dedicated Customer Compliance Managers that monitor the tax affairs of every large business and our wealthiest individuals, reflecting the complexity of their affairs and the tax at stake. In fact, at any one time we’ll be actively investigating around half of the UK’s largest businesses. In contrast, with small businesses, we only step in when something goes wrong, intentionally or otherwise.

Overall, to secure the right tax at the right time, we:

• tailor to our customers
• are digital and data-led
• work with others to secure the right tax
• deliver through our skilled and adaptable workforce.

Promoting Self Assessment compliance

This year we needed more than 11 million customers to complete their tax return by the Self Assessment deadline of 31 January.

To help achieve this, we sent nearly six million targeted email and SMS reminders to segmented groups of customers, reminding them of the deadline and giving them support. We improved the wording, timing and frequency of these reminders in order to generate maximum impact. A record half a million people also chose to view our guidance videos on YouTube.

Based on insight and market research, we ran new adverts featuring ducks to represent the niggling feeling customers get when they know they haven’t completed their tax return. The adverts ran on radio, Out of Home posters, digital channels and social media, driving customers to our Self Assessment pages on GOV.UK.

Our overall campaign activity resulted in 93.5% of customers (10.7m) renewing by the deadline, and 92.8% renewing online — both record numbers.

£13m
Additional revenue since 2016 through trial of new digital prompts in online Self Assessment
Our total revenues

In 2017-18, our strategic approach to compliance helped total tax revenues to reach a record £605.8 billion – an increase of £30.9 billion, or 5.4%, on 2016-17. This figure represents money received and due to HMRC after accounting for money we repaid and owed.

Figure 1: Revenue (£bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Income tax</th>
<th>NICS</th>
<th>VAT</th>
<th>Corporation Tax</th>
<th>Hydrocarbon oils</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>505.8</td>
<td>517.7</td>
<td>536.8</td>
<td>574.9</td>
<td>605.8</td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>517.7</td>
<td>536.8</td>
<td>574.9</td>
<td>605.8</td>
<td>638.8</td>
<td></td>
</tr>
<tr>
<td>2015-16</td>
<td>536.8</td>
<td>574.9</td>
<td>605.8</td>
<td>638.8</td>
<td>674.6</td>
<td></td>
</tr>
<tr>
<td>2016-17</td>
<td>574.9</td>
<td>605.8</td>
<td>638.8</td>
<td>674.6</td>
<td>710.3</td>
<td></td>
</tr>
<tr>
<td>2017-18</td>
<td>605.8</td>
<td>638.8</td>
<td>674.6</td>
<td>710.3</td>
<td>745.3</td>
<td></td>
</tr>
</tbody>
</table>

Total revenues are driven by the overall level of activity in the economy and the rates of taxation, allowances and reliefs set by Parliament. In summary, compared to 2016-17:

- Income tax (31% of total revenue), and National Insurance Contributions (22% of total revenue) increased 6.8%. The amount of revenue raised for these two taxes is closely linked to the number of people in employment and wages levels, both of which increased during this period.
- Value Added Tax (21% of total revenue) increased 3.4%. Higher receipts for the oils, gas and mining and the leisure and business sectors were seen during this financial year.
- Corporation Tax (9% of total revenue) increased 4.3%. Many sectors experienced rising company profits, particularly the industrial and commercial and finance sectors.
- Hydrocarbon oils (5% of total revenue) decreased by 0.4%.
- Stamp Taxes (3% of total revenue) increased by 7.8%, mainly due to the continuing increase in house prices.
- Alcohol (2% of total revenue) increased by 1.8% due to increases in duty rates in March 2017, while tobacco (1.5% of total revenue) remained static.
- Capital Gains Tax (1.3% of total revenue) decreased by 7.1% due to the rate reduction from 18% to 10% where a person is not a higher rate taxpayer. The higher rate of 28% reduced to 20%.
- Insurance Premium Tax (1% of total revenue) increased by 37.8%. There was a rise in the standard rate from 10% to 12%.
- A number of other taxes, including Inheritance Tax, Bank Levy and customs duties, account for the remaining revenue.

For more information, with year-on-year comparisons, go to the Trust Statement on page 164.
Measuring the tax gap

The UK’s tax gap is the difference between the amount of tax that should, in theory, be paid to HMRC, and what is actually paid.

In 2016-17 (the latest year for which figures are available), we collected 94.3% of the estimated tax revenue due maintaining the tax gap at its lowest level for five years. There has been an overall downward trend in the UK’s tax gap, which has reduced from 7.3% in 2005-06 to 5.7% in 2016-17, with some year-on-year variations.

It’s impossible to collect every penny of tax owed for a variety of reasons – for example, we can’t collect tax from businesses that become insolvent, even if they owe outstanding tax. There also isn’t a straightforward link between the tax gap and HMRC’s total revenues. In any given year, it’s possible that the revenue we secure might increase while the percentage tax gap remains the same or reduces, due to changes in the overall level of activity in the economy and other factors.

Figure 2: UK tax gap in 2016-17

<table>
<thead>
<tr>
<th>By customer group</th>
<th>By behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>£13.7bn Small businesses</td>
<td>£5.9bn Failure to take reasonable care</td>
</tr>
<tr>
<td>£7bn Large businesses</td>
<td>£5.4bn Criminal attacks</td>
</tr>
<tr>
<td>£5.4bn Criminals</td>
<td>£5.3bn Legal interpretation</td>
</tr>
<tr>
<td>£3.9bn Mid-sized businesses</td>
<td>£5.3bn Evasion</td>
</tr>
<tr>
<td>£3.4bn Individuals</td>
<td>£3.4bn Non-payment</td>
</tr>
<tr>
<td></td>
<td>£3.2bn Error</td>
</tr>
<tr>
<td></td>
<td>£3.2bn Hidden economy</td>
</tr>
<tr>
<td></td>
<td>£1.7bn Avoidance</td>
</tr>
</tbody>
</table>

Of the £33 billion tax gap, 41% can be attributed to small businesses, followed by large businesses which make up 21% of the tax gap. The key behaviour driving the tax gap is ‘failure to take reasonable care’. Taken together, avoidable mistakes through ‘error’ or ‘failure to take reasonable care’ cost the Exchequer £9.2 billion in 2016-17. This is a challenge we’re addressing through our transformation into a modern, digital tax authority (see page 30). Through our Making Tax Digital for Business programme, we’re developing digital and data-led systems that will make it easier for customers to get their tax right – and by reducing the number of avoidable errors we will also reduce the cost, uncertainty and worry that customers face when we need to intervene to put things right.

For more information about HMRC’s Measuring tax gaps report go to www.gov.uk/government/statistics/measuring-tax-gaps

Protecting revenues at risk

Every year, through our compliance work, we collect or protect billions of pounds that would have otherwise been lost to the UK through fraud, tax avoidance, evasion and non-compliance. We’ve strengthened our grip on those who deliberately cheat the system and continue to pursue those who refuse to pay what they owe, applying civil and criminal sanctions as appropriate to this dishonest minority.

In 2017-18 we generated £30.3 billion in compliance yield against our target of £28 billion, an increase of £1.4 billion from 2016-17*. There are a number of components that make up compliance yield, as shown in figure 3.

* Read more on how the methodology for measuring compliance yield changed in 2016-17, go to: www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2017-to-2018
Customer focus: Individual customers

Individuals are by far our largest customer group. There are more than 45 million people in the UK tax system, with around 30 million people liable to pay tax through Pay As You Earn (PAYE) and seven* million through Self Assessment. We also support millions more families and children through the Child Benefit and tax credits we administer.

How we work with this customer group

Individual customers want a straightforward and convenient way of conducting their affairs. For those in PAYE, we work with their employers so they pay the tax they owe without needing to engage directly with the system. We’re also simplifying some customer interactions through our digital services, such as the Personal Tax Account, to help people manage their affairs in real time. We supplement this by phone, post and extra services for customers who need enhanced support.

Individual customers: incomes below £150,000 and assets below £1 million

£255bn
Estimated PAYE and NIC receipts collected

£2.7bn
Yield generated from our compliance activities

£3.4bn
Tax gap estimate for 2016-17, including wealthy customers

£320m
Estimated spend on compliance activities

6.8m
Children and 3.8 million families supported by tax credits

£38bn
Paid out in tax credits and Child Benefit
69% of individuals rated their overall experience of dealing with HMRC in the last year positively.*

* HMRC Individuals, Small Businesses and Agents Customer Survey 2017

* Some Self Assessment customers may also be employees
Tackling avoidance and evasion

A fair tax system is a critical part of the government’s plan to build a fairer society, and we are clear that everyone must pay the tax that is due, at the right time.

We want the tax system as a whole to support and encourage customers to get things right — but we’re also cracking down on the minority who deliberately bend or break the rules. When we see problems, we don’t hesitate to respond, and we never give anyone preferential treatment, whether they’re an individual or a multinational corporation.

Organised criminals

We use the full range of criminal and civil powers to investigate tax cheats and to tackle organised crime groups, disrupting their activity, dismantling their organisations and taking the profit out of their fraud. We generated or protected £3.3 billion* in compliance yield in 2017-18 as a result of our investigations and enforcement action against organised crime — and 887 serious organised criminals have been brought to justice since 2010. Our latest estimate of the tax gap for this group is £5.4 billion for 2016-17.

* Of our total compliance yield, approximately £5 billion cuts across different groups and cannot be allocated to a specific group

Offshore avoidance and evasion

High-profile data leaks like the Paradise and Panama Papers reveal the challenge involved in tackling offshore avoidance and evasion. The systems used to avoid and evade tax through offshore structures are complex — but if we suspect wrongdoing, our expert analysts use leading-edge technology to unpick these structures and trace them back to individuals.

We also benefit from the Common Reporting Standard, which was developed by the Organisation for Economic Co-operation and Development, after a drive by the G20 nations to develop a global standard for the automatic exchange of financial account information. It’s now a rich source of information for us and will be in future.

Last year, over 140 individuals were the subject of criminal investigation for offences associated with offshore tax evasion, including four arrests and a further six interviews under caution relating solely to the Panama Papers. Since 2010, we’ve brought in more than £2.8 billion from domestic and global initiatives to tackle offshore tax evaders. Since June 2012, 26 individuals have been successfully prosecuted, resulting in over 100 years of custodial sentences and 12 years of suspended sentences.

Off-payroll working in the public sector

The off-payroll working rules (Off-payroll working in the public sector: reforming the intermediaries legislation) are designed to ensure that those who work through a personal service company (PSC), who would have been employees if they were directly engaged, pay broadly the same employment taxes as if they were employed. There is significant non-compliance with the rules, which costs hundreds of millions of pounds in lost tax receipts. In April 2017, the government reformed the rules for engagements in the public sector. As a result, we estimate that an additional £410 million of income tax and National Insurance Contributions has been collected in 2017-18.
Disguised remuneration

Last year, Parliament passed legislation targeted at ‘disguised remuneration’ tax avoidance schemes, where people are paid by loans instead of ordinary remuneration to avoid income tax and National Insurance Contributions. The changes Parliament introduced to fix this long-standing form of avoidance included a new charge on outstanding disguised remuneration loans, which protected £290 million in 2017-18. The charge applies to loans outstanding at 5 April 2019, and we expect to protect £2.5 billion for the UK’s vital public services from it by 2021. We’re continuing to litigate this type of scheme — and we won a high-profile Supreme Court case during the year against RFC 2012 (formerly The Rangers Football Club) which confirmed our view that earnings cannot be diverted to avoid tax.

Tackling alcohol fraud

Since we launched our new Alcohol Strategy in 2016, we have modernised how we tackle alcohol fraud. We’ve worked with the largest suppliers of alcohol to strengthen tax compliance within supply chains, significantly disrupting the evasion of excise duties. Our Alcohol Taskforce has also carried out intensive exercises on the border, making a real impact on deterring illicit alcohol traffic through our ports. We’ve secured £1.4 billion in revenue over the past year that would otherwise have been lost to the UK.

Tax avoidance promoters

The vast majority of tax advisers play by the rules and help their clients pay the right amount of tax. However, there is a small minority who seek to help their clients bend the rules and to pay less tax than they owe. We have a suite of powers to tackle promoters and enablers of tax avoidance schemes, designed to change behaviour and influence those involved to move out of promoting and enabling for good, with various sanctions and penalties for those who don’t. We are using these powers to challenge all major promoters of avoidance schemes. We are also using a range of other approaches to disrupt their activities, including making three complaints to the Advertising Standards Authority about misleading adverts. All have been upheld and apply to anyone promoting similar schemes, not just the promoter of the arrangement referred.

For more information about disguised remuneration go to:
www.gov.uk/guidance/disguised-remuneration-settling-your-tax-affairs

For more information about HMRC’s Criminal Investigation policy go to:
Receivables, debt and losses

Receivables are money due to HMRC for all liabilities, even if they are not currently overdue (see figure 4). These can include taxes, duties, tax credits, penalties and interest charges owed by individuals and businesses, and they amounted to £37.2 billion in March 2018 compared to £35.5 billion in March 2017. Tax receivables were gross £30.3 billion (see Trust Statement page 172) while tax credit receivables were gross £6.9 billion (see Resource Accounts page 201).

While most of the £605.8 billion revenues are collected when due, once the amount becomes overdue and is not under appeal, it becomes a debt. The total debt we collected in 2017-18 was £37.5 billion and the remaining debt balance (which is both collectible and enforceable) at the end of March 2018 was £18.2 billion. This included £13.7 billion in total tax debt (equates to 2.3% of tax revenues) and £4.5 billion in total tax credit debt. We also achieved greater efficiency savings, delivering this work for 9% lower cost than 2016-17.

![Figure 4: Breakdown of receivables and debts (Ebn)](image)

When individuals or businesses need more time to pay the debt, due to temporary financial hardship, we set up Time to Pay agreements to help them get back on a sustainable payment track. At the end of March 2018 we had ongoing arrangements worth £2.7 billion. Most debt is repaid in the same year, but part of our debt collection figure is debt from previous years that has taken longer to recover.

Where customers do not pay on time or enter into a Time to Pay arrangement, we use our debt collection powers to secure any outstanding amounts quickly and efficiently.

We use private sector debt collection agencies to help with our debt collection activities – and these agencies collected £407 million in overdue tax and tax credits payments in 2017-18.

In certain cases we decide to stop debt collection activity if it becomes uneconomic for us to pursue the outstanding amount, or if there is no practical means to collect it – for example, losses when companies or individuals become insolvent and we cannot collect from the bankruptcy or liquidation. We are consulting on how to tackle the minority who unfairly reduce their tax bill through the misuse of corporate insolvency. Tax losses were £3.7 billion in 2017-18.
Figure 5: Tax debt in pursuit and tax losses compared to revenue (£bn)

Reducing the likelihood of disputes

The strategies we’re following to promote compliance and prevent non-compliance — as well as our new digital services for customers (see page 30) — are designed to reduce the likelihood of disputes by helping more customers to get their tax affairs right.

Inevitably, some disputes do still occur. When they do, we always resolve them in accordance with the law and our published litigation and settlement strategy (LSS) and code of governance for resolving tax disputes.

The LSS sets out how we approach and resolve tax disputes, and includes an accompanying commentary to help our employees apply the LSS when dealing with tax disputes. Our code of governance for resolving tax disputes helps our customers to understand the internal governance processes we use to make sure we deal with all cases fairly.

Our bottom line is clear: we treat all customers fairly and even-handedly – no matter who they are or how complex their tax affairs may be.

Read more about how we resolve tax disputes, and the decisions we took to resolve disputes in 2017-18 on page 86.

For more information about HMRC’s Litigation and Settlement Strategy go to www.gov.uk/government/publications/litigation-and-settlement-strategy-lss

For more information about HMRC’s code of governance for resolving tax disputes go to www.gov.uk/government/publications/resolving-tax-disputes
Customer focus: Wealthy individuals

Wealthy individuals are important to tax authorities due to their significant contribution to the economy and the role many play as business owners. They often have complex tax affairs covering multiple kinds of taxes, and have greater choice than most people about how they manage their income and assets, including use of tax advisers.

How we work with this customer group

Our approaches range from assigning a specific team to develop an in-depth understanding of the customer’s financial affairs, behaviours and compliance risks, to using strong data-led approaches to identify risks in a wider wealthy population. We offer support where needed to ensure they pay the correct tax — but we also take direct action against those who fall to or incorrectly file tax returns. We collect disputed amounts of tax upfront from avoidance schemes, and we take disputes to tribunal when we can’t agree the amount of tax due.

Wealthy individuals: incomes above £150,000 or assets above £1 million

£57bn
Estimated tax receipts collected

£1bn
Yield generated from our compliance activities

£135m
Estimated spend on compliance activities

£28bn
Estimated PAYE and NICs receipts collected

98%
Self Assessment returns filed on time

72%
Percentage using agents
28% of all income tax receipts are paid by the top 1% of earners.
We’re making it straightforward for people and businesses to pay the right tax and claim the right entitlements at the right time, by launching user-friendly digital services.

We’ve made real progress in reorienting our systems and services to become a data-led organisation, so we can make paying tax and claiming entitlements easier. Millions of customers are now using HMRC’s Personal Tax Accounts and Business Tax Accounts to handle their tax affairs quickly and easily online. In 2017 we also introduced Simple Assessment, which removes the need for some customers to complete a tax return at all. Last year we expanded the range of digital tax account services available — tax credits customers can now use them to renew their annual awards, and we can adjust tax codes in real time to avoid under and overpayments.

Our strategy is to:

• use sophisticated digital tax accounts and other online services as our main way of interacting with customers, making it easier for them to see their affairs in one place and harder for them to make mistakes — but still provide direct support to those who need it
• support intermediaries to play an active role in collecting tax and providing data, so we rely less on customers providing their own data
• welcome the use of agents to represent customers where they add value in helping their clients to get their affairs right.

This year’s performance highlights:

- 15m Personal Tax Account customers since launch
- 93.5% Self Assessment customers filed on time
- 4:28 Average minutes to answer customer calls
Digital tax accounts and direct support

Customers rightly expect the same high levels of service from us as they do from banks, retailers and other organisations — and they increasingly want services to be delivered digitally, as it’s faster and more convenient for them. Our new digital services are continuing to grow, but we’ve also invested in traditional channels, including a seven-day service and voice biometric technology on our phones.

Expanding our digital services

The number of customers using our digital tax accounts continued to grow during 2017-18. To date, around 15 million people have accessed Personal Tax Accounts — and our Business Tax Accounts are used by more than 3 million businesses.

This is important for the overall transformation of our customer services. Not only do digital tax accounts make it quicker and more convenient to pay the right tax at the right time, they reduce pressure on our more traditional customer services.

We wanted to achieve an average customer satisfaction rating of 80% for our digital services in 2017-18. The number of survey responses we received increased by 43% from 6.7 million to 9.6 million and the percentage of customers who were either ‘satisfied’ or ‘very satisfied’ across all our digital services was marginally under 80% at 79.8%. We continue to listen to our customers to help us improve our service offering.

Figure 6: Digital customer satisfaction — year-to-date (%)
We're making smarter use of the data we hold, so customers can use their accounts to view their tax code, check their estimated tax liability and report changes using online iForms. Of the 1.3 million iForms we received last year we turned around 94.6% within 7 days, marginally below our 95% target. Customers can also decide how they want to receive information from us – for instance, by receiving all PAYE and Self Assessment correspondence online.

As well as digital tax accounts, we're also developing innovative digital customer support services – for example, we held around 1.5 million live webchats with customers in 2017-18 as an alternative to calling us.

Through our Making Tax Digital for Business programme, we're working to give businesses modern, digital services that make it easier for them to get things right. Increasingly, we're working in partnership with the software industry so businesses, and their tax agents, can use products and services that interact seamlessly with our own systems. In April 2018, we launched a pilot for business customers which allows them to use approved software to generate and send their quarterly VAT return from their digital records, rather than logging in to the HMRC portal and typing in the information. We plan to roll this out to all businesses with a taxable turnover above the VAT threshold (£85,000) from April 2019.

**Customer phone calls**

We received 46.7 million phone calls to our contact centres in 2017-18. This is a decrease of 10% in demand to speak to an adviser, as more customers use our digital services – but so far customer demand hasn't dropped by as much as we expected it to after we introduced digital channels. Phone contact remains an important element of our interaction with customers, so we offer a seven-day telephony service and our customers are supported by automated messaging to access information and appropriate services.

Thereafter, for customers who need to speak to an adviser, our average speed in answering calls was 4 minutes and 28 seconds this year. This is within the five minute target we are funded by government to deliver, but was slower than the 3 minutes and 54 seconds we achieved in 2016-17. The percentage of customers who waited 10 minutes to be connected to an adviser was 14.6% against our target of no more than 15%. Going forward, we'll continue to strive to optimise our phone performance within the funding available.

Customer post

We received around 18 million items of post in 2017-18, compared to around 20 million in 2016-17 – that’s around a 10% reduction. Out of 12.9 million post items where customers required a response, we turned around 80.7% of post in 15 days, just beating our target of 80%, and 97.1% of post in 40 days, beating our target of 95%.

We experienced a dip in our post turnaround performance during the first quarter of the year, due to a peak in our telephony demand driven by the tax credits renewal period. This meant we had less flexibility to move resources between phone calls and post than at other times of the year. After we put a recovery plan in place, our performance improved from the second quarter.

![Figure 8: Post turnaround within 15 days – year-to-date (%)](image)

Handling complaints

Most of our customers use our services without any problems, but we recognise mistakes happen and we continually examine our processes to identify how we can improve. We do this by listening to our customers and acting on their feedback, improving our complaints handling service and making the complaints process easy and accessible for our customers.

For example, in 2017-18 we expanded the availability of our online iForm complaints service to all businesses and individuals.

In 2017-18 we received 77,410 new complaints, similar to last year, and we resolve around 99% of complaints internally. However if a customer remains dissatisfied with our decision they can refer their complaint to the independent Adjudicator’s Office (AO) and then to the Parliamentary and Health Service Ombudsman (PHSO). The AO received 15% fewer complaints about HMRC than the previous year. They investigated 997 cases requiring a decision and upheld in part or in full 39% of these in the customers’ favour. Of the 90 complaints which were investigated by the PHSO in 2016-17, the latest year for which figures are available, no cases were fully upheld by the PHSO and only three were partially upheld. We complied with all recommended decisions from both the AO and PHSO.

Information about how to complain to HMRC can be found at: www.gov.uk/complain-about-hmrc

Full information about the Adjudicator’s Office can be found at: www.adjudicatorsoffice.gov.uk

Full information about the Parliamentary and Health Service Ombudsman can be found at: www.ombudsman.org.uk

110,000+

Customers supported last year through our Needs Enhanced Support service
Benefits and credits

HMRC doesn’t just collect tax revenues. We’re also responsible for administering tax credits and Child Benefit – and this work is vital to supporting families with children, tackling child poverty and helping to ensure work pays more than welfare.

Last year, tax credits helped around 3.8 million families and 6.8 million children, while Child Benefit supported around 12.9 million children. Our priority is to pay customers on time and make sure they receive their correct entitlement.

This year we maintained our performance in processing new tax credits and Child Benefit claims and changes of circumstances for UK customers, which took us an average of 13.8 days against a target of 22 days. For international customers the average was 55.6 days against a target of 92 days. Over one million customers renewed their tax credits online – the most popular means of renewal, and a 6% increase.

**Tax credits:** The government has given us a target to keep error and fraud within the tax credits system at no more than 5% of paid entitlement in 2016-17, 2017-18 and 2018-19. As it takes around 14 months after the end of the tax year until all claims are finalised, our latest estimate of error and fraud relates to 2016-17 at 4.9% (£1.32 billion) of paid entitlement. This figure compares to 4.8% (£1.35 billion) in 2015-16.

HMRC has set a target for 2017-18 to keep underpayments no higher than 0.7% of finalised entitlement. This target remains for 2018-19. The latest estimate for underpayments relates to 2016-17 at 0.8% (£200 million), compared to 0.6% (£180 million) in 2015-16, although the rise is not statistically significant. You can read more about what we’re doing to address error and fraud in the Principal Accounting Officer’s report, on page 84.

We’re gradually transferring customers from tax credits to Universal Credit, which is administered by the Department for Work and Pensions (DWP). As a result of this transition we ended 123,420 claims during 2017-18, of which only 102,311 involved active payments.

**Child Benefit:** Our central estimate of the overall level of error and fraud associated with claims where we have positive contact with the customer in 2017-18 is 0.4% of total Child Benefit expenditure (£50 million). This is an increase on the 2016-17 estimate of 0.3% (£35 million).

Some customers do not respond to our requests for information. In practice some of the non-respondents will be eligible and some ineligible. We have undertaken additional analysis of the non-respondents using a wide range of other customer data to assess whether they would have been classed as in error and fraud if they had replied to the request for information.

This shows that around 60% of non-responders are likely to be eligible and 40% not. Taking this into account, the estimated level of error and fraud for 2017-18 was 0.9% of total expenditure (£110 million). The equivalent figure for 2016-17 was 0.6% (£65 million).
Intermediaries and agents

It’s a crucial part of our strategy to work with independent third parties to improve our performance. We’re actively working with those who can help us to support our customers and collect tax — such as employers, through their role in administering Pay As You Earn, or others who can collect data to pre-populate digital tax accounts, such as banks and building societies.

Third party data is a vital tool for us in identifying risks and improving the experience our customers have when they use our digital services. Using it means we can calculate tax or entitlements more accurately, ease the burden on customers and improve compliance. It requires a lot of work to convert third party data into a format that is compatible with our own systems, but we’re developing a new data strategy that will help us to set consistent standards for the way this data is supplied to us.

We’re also working closely with software developers to ensure that our own plans are aligned with software being developed for business customers. The more straightforward we can make it for businesses to pay their taxes and interact with us using their own software, the more efficiently we can maximise revenue collection.

Agents can also play a key role in helping people comply with their tax obligations, and we welcome their use where they add value in helping their clients to get their affairs right. We’re developing our services for tax agents, so they can deal with us across all taxes on behalf of their clients.

We know we have work to do, as in our most recent customer survey, only 47% of agents felt they had a positive overall experience dealing with HMRC. To support them, we’re investing in a new digital service and we’re strengthening our engagement with agents and their professional bodies. We’ve also published a revised HMRC standard for agents. It complements the Professional Conduct in Relation to Taxation, to which many agents subscribe as part of their membership of tax professional bodies, and establishes minimum standards on tax planning and avoidance.

Agent Services

Our Agent Services online account assures the status of an agent and protects access to client data in our new digital services. Agents can now use this service to act for their client by, for example, making a quarterly update, or to register a trust.

In future, we’re looking to consolidate the design elements of our digital services to enable agents to see and do everything that their clients can.

This will be a fundamental building block in our strategy to help customers be compliant as early as possible in their dealings with us.

By providing good services for agents, we’re supporting them in getting their tax right on behalf of their clients.
Customer focus: Small businesses

Small businesses represent more than 95% of businesses in UK, so they are vital for our economy. They can take many forms, from partnerships to small limited companies or self-employed people, with overlap between personal and business taxes. The small business tax gap is mainly due to errors, evasion and hidden economy activity.

How we work with this customer group

We support small businesses and their tax agents with digital services that allow them to deal with their tax affairs online, at times to suit them, so they can focus on running their business. We also provide educational material and guidance. Where small businesses aren’t compliant, we deploy a range of interventions depending on the size and complexity of the tax loss. We also work to make sure that they meet wider legal obligations, such as the National Minimum Wage.

Small businesses: turnover below £10 million and fewer than 20 employees

- £525m Estimated spend on compliance activities
- £110bn Estimated receipts from Corporation Tax, VAT and others**
- £5.4bn Yield generated from our compliance activities
- £13.7bn Tax gap estimate for 2016-17
- 15m Employments by businesses which are dealt with as small
- £95bn PAYE and NICs from individuals or wealthy customers***
74% of small businesses rated their overall experience of dealing with HMRC in the last year positively*

* HMRC Individuals, Small Businesses and Agents Customer Survey 2017

* This group also includes micro businesses with turnover below £2 million and fewer than 10 employees.
** Includes an estimated £28 billion of receipts from tax regimes that cut across small and mid-sized business.
*** Estimated PAYE and NICs receipts collected from small businesses but paid by individual and wealthy customers.
To deliver for our customers in a changing world, we are building on the skills and expertise of our people and working in new, more collaborative and flexible ways.

We’re putting the right people in the right places, doing the right work, with the right skills, using the latest digital tools. We’re opening 13 new regional centres across the UK over the next few years. These modern and cost-effective buildings will enable our workforce to work together in innovative new ways to support our customers. We’re also designing new and effective tax and customs policies, systems and processes – and the changes we’re making have benefits for other government departments and play a vital role in supporting the government’s overall agenda.

Our strategy is to:

- move towards a more highly-skilled and sustainable workforce through better training, development and by creating a new, modern network of large regional centres
- use our assets and capabilities to deliver wider government aims, and to design new services and systems that other government departments can use in the future.

This year’s performance highlights:

- **12** Regional centre sites secured to date
- **4,604** Full-time equivalent employees recruited
- **£229m** Sustainable cost savings
A skilled and sustainable workforce

At the end of 2017-18, HMRC (including Revenue and Customs Digital Technology Services Ltd) had 59,332 full-time equivalent employees – nearly 2,000 fewer than the previous year. As part of our transformation, we’re providing our people with more collaborative working environments, and we’re investing in skills development and technology. These changes are helping us to improve our customer service while also operating in a more cost-efficient way.

Our people and professions

We want to make HMRC a great place to work, where everyone knows they are valued and will be treated fairly, regardless of background, working pattern or who they know. Our latest staff engagement score is 50%, a significant improvement, but we know we have more to do to increase this further.

An important part of this is creating a greater range of career opportunities. We had 22 professions within HMRC last year, including tax, policy, operational delivery, project and programme management, IT, finance and analysis, and we promoted more than 4,000 people during 2017-18.

We’re also investing in the skills our people need to deliver for our customers. Every single HMRC employee gets a full five days of learning and development every year.

We try as much as we can to involve our people in deciding changes that affect them. This year, we announced significant changes to our approach to managing performance and development for 2018-19, working with thousands of our people through dial-ins, focus groups and trials.

Find out more about our workforce on page 98, including information on diversity on page 103 and details of recruitment and losses on page 101.
HMRC’s culture and values

In 2017, we took the opportunity to discuss our corporate culture and the values that we want to live by as a department. This involved a conversation across HMRC, ensuring that more than 60,000 people had the opportunity to help develop these values.

What’s different about our values is that they are not imposed. Everyone working in HMRC played a part in their creation, based on words and ideas that are important to our people in their everyday working life.

Our technology

Technology is crucial to HMRC’s transformation. We’re investing in new digital tools for our people, and to date we’ve provided more than 43,000 mobile tablet devices so our experts can work more flexibly and access our systems wherever they happen to be. We’re also cutting out manual processes so they can work even more efficiently and effectively. At the same time, we’re focused on the smarter use of data and using sophisticated technology to interrogate and analyse it, including Artificial Intelligence and robotics.

Cloud-based data

We are moving our data to cloud-based storage, which is not only faster and cheaper to run but increases our resilience by improving our capacity to recover should some extraordinary event impact on our ability to continue operating normally.

Strengthening data security

As a data-rich organisation, data security is extremely important to us and we continuously monitor and detect for fraud and misuse of our systems, including the internet, using specialist technology. We are very conscious of our role in safeguarding our customers’ information. We have put training and guidance in place to support our implementation of the new General Data Protection Regulation (GDPR) and we will continue with our progress in complying with the regulation (see more on page 135).
New IT contracts

To get the best value for money for UK taxpayers, we have replaced our outsourced IT contract with a series of smaller, more flexible contracts which are already saving more than £100 million in 2017-18. Our ambition is to be a data-led organisation, so we’re using powerful new tools to analyse our data and produce richer insights into our customers’ needs and behaviours. We’re also developing our approach to the way we manage our data by moving from developing one large repository for our data, called the Enterprise Data Hub, towards smaller, modular platforms that we can more easily change and adapt to meet our data needs in the future. By building more targeted analytical data services, we will be better able to meet customer needs.

Moving to our new regional centres

In July 2017 we opened our Croydon Regional Centre, which is the first of a network of regional centres we’ll open across the UK over the coming years. It’s a glimpse into the future of HMRC: we’re gradually moving out of office buildings that are no longer fit for purpose and into fewer modern buildings equipped with the high-speed digital infrastructure we need.

Overall, our estate reduced in size from 145 buildings in 92 towns in 2016-17 to 119 buildings in 76 towns in 2017-18. Eventually, we expect to be located in just 13 regional centres, along with five specialist sites and, for a period of time, seven transitional sites.

By bringing our people together into newer and larger sites, our teams will be able to collaborate more effectively to improve customer service and tackle avoidance and evasion — using state-of-the-art data and risk assessment tools. Moving to regional centres will save more than £300 million up to 2025. The programme will deliver annual cash savings (compared to 2015-16 costs) of £74 million in 2025-26, rising to around £90 million by 2028, while improving customer service and modernising how HMRC works.

This year we also moved into our transitional site at Canary Wharf and secured a further nine regional centre sites in Belfast, Birmingham, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester and Stratford. Altogether, including our existing site in Newcastle and a regional centre already being built in Bristol, we have secured 12 of our 13 regional centre locations. We’re in negotiations for a number of potential sites for our Nottingham Regional Centre and we plan to secure a lease in 2018.
Customer focus: Mid-sized businesses

Mid-sized businesses* make up less than 4% of UK business but employ more than 19% of the workforce. Some of these are businesses that are growing rapidly which can result in increasing complexity in their tax affairs. The tax gap for mid-size businesses is mainly due to challenges to interpretation of the law, failure to take reasonable care and non-payment.

How we work with this customer group

We support mid-sized businesses in a number of ways, including digital tax accounts for some and supporting third party software used by this group. We target risks to tax revenue by using data to develop greater customer understanding. When non-compliance does occur, we tackle it according to the level of risk, with more intensive intervention for the most complex cases.

Mid-sized businesses: turnover between £10 million and £200 million, or 20 or more employees

£45bn Estimated receipts from Corporation Tax, VAT and others**
£3.5bn Yield generated from our compliance activities
£3.9bn Tax gap estimate for 2016-17
£225m Estimated spend on compliance activities
9m Employments by businesses which are dealt with as mid-sized
£75bn PAYE and NICs from individuals or wealthy customers***
55% of mid-size businesses rated their overall experience of dealing with HMRC positively*

*HMRC mid-size business survey 2016

* Includes public bodies and charities
** Includes an estimated £1.6 billion of receipts from tax regimes that cut across small and mid-sized business
*** Estimated PAYE and NICs receipts collected from mid-sized businesses but paid by individual and wealthy customers
Expenditure and budget

We’re driving down our day-to-day running costs to deliver better value for money for taxpayers and the country. Figure 9 shows what it cost to run HMRC in 2017-18.

**Figure 9: Expenditure and benefits and credits relative to total revenue 2017-18***

<table>
<thead>
<tr>
<th>Total revenue</th>
<th>£605.8bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOA</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
<tr>
<td>Paybill</td>
<td>57%</td>
</tr>
<tr>
<td>Accommodation</td>
<td>7%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>7%</td>
</tr>
<tr>
<td>IT and Telecomms</td>
<td>16%</td>
</tr>
</tbody>
</table>

**HMRC costs**

<table>
<thead>
<tr>
<th>Benefits and credits payments</th>
<th>£41.8bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRC costs</td>
<td>£3.9bn</td>
</tr>
</tbody>
</table>

Figure 10 shows how our expenditure and budget are changing over time. Over the last five years, our baseline funding has reduced due to the sustainable efficiencies we have delivered. We have also received funding to carry out additional work requested by ministers, such as Help to Save.

At the government’s Spending Review 2015, we were given funding to invest in our transformation for 2016-17 onwards. Since the Spending Review, further funding has also been provided for tackling avoidance and evasion. In 2017-18, we also received funding to support EU exit work.

* The above figures are based on budgeting treatment as opposed to accounting treatment as represented in the Resource Accounts. Numbers may appear not to sum due to rounding.

**Figure 10: HMRC’s expenditure 2013-14 to 2017-18 (£m)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>Transformation/investment</td>
<td>Avoidance and evasion</td>
<td>Further funding for additional work</td>
<td>EU exit funding</td>
</tr>
<tr>
<td>3,645</td>
<td>3,464</td>
<td>3,576</td>
<td>3,836</td>
<td>3,946</td>
</tr>
<tr>
<td>3,645</td>
<td>3,464</td>
<td>3,576</td>
<td>2,265</td>
<td>177</td>
</tr>
<tr>
<td>3,122</td>
<td>265</td>
<td>36</td>
<td>345</td>
<td>96</td>
</tr>
</tbody>
</table>

The cost of distributing £41.8 billion in benefits and credits

More information on our expenditure can be found in the resource accounts on page 184.

* HMRC resource spending, which is money that is spent on day-to-day resources and administration costs. Includes depreciation and VOA. Numbers may appear not to sum due to rounding.
Saving money for the UK taxpayer

Last year we achieved cost savings from our departmental transformation, including better IT and developing our digital services. We generated other cost savings by making it easier for customers to get their tax affairs right without having to contact us — for example, by encouraging customers to use online services rather than call or write to us.

We’re committed to reducing our operating costs and we’ve exceeded our commitment to make £380 million of sustainable cost savings in 2017-18, achieving £410 million.

The efficiencies we have delivered, together with increasing revenues, mean that the cost of collecting taxes in the UK is less than a penny for every pound collected — down from 0.61 pence in the pound in 2013-14 to 0.53 pence in the pound in 2017-18.

Figure 11: Cost of tax collection 2013-14 to 2017-18 (pence per £ collected)

Becoming a sustainable organisation

We’re committed to becoming a sustainable organisation. The 2010-20 Greening Government Commitments set a challenge for us to reduce the environmental impact of our estate and operations. These commitments also form part of our contribution to the global Sustainable Development Goals.

Read about our commitments to the global Sustainable Development Goals on page 54.

This year, we recycled 81% of our waste, compared to 71% last year — and we reduced our UK air travel with 2,474 fewer flights taken.

Where possible, we have complied with government buying standards in sourcing our materials and assets, meeting all the requirements for IT, food, catering services and transport. We’re making year-on-year progress to meet the government aspiration for 33% of our procurement spend to be with small and medium enterprises by 2020.
Our tendering process provides for the exclusion of any bidder who has committed offences under the Modern Slavery Act 2015 and, alongside general checks on statutory compliance throughout the contract term, we use a sustainability assessment tool to measure the impact of our supply chain. This gives assurance that the risk of modern slavery is mitigated in the goods and services that we buy — and that our suppliers address diversity, health and safety, labour standards and social values.

We are working with the Environment Agency to address the impact of climate change and to identify and monitor offices at risk of flooding. Environmental considerations have also been factored into building works for our new regional centres. To support biodiversity, we have added insect hotels, log piles and meadow areas to many of our key sites, as well as cultivating trees and hedgerows to benefit nesting birds.


**Delivering across government**

HMRC is first and foremost responsible for generating the revenue that enables the government as a whole to function, but our impact on the government’s aims goes well beyond this. We support growth in the economy by delivering targeted tax reliefs — towards research and development, for example — and our customs clearance processes are vital to ensuring smooth international trade. We work closely with devolved administrations and other government departments, such as with the Department for Business, Energy and Industrial Strategy on National Minimum Wage and Anti Money Laundering regulations.

**Customs**

We work in partnership with UK Border Force and other government agencies to manage customs administration, supporting traders and promoting export-led growth by ensuring a rapid customs clearance. We also act to disrupt illicit supply chains and create a fair playing field for honest traders, imposing civil or criminal sanctions against those who think the rules don’t apply to them.

In March 2018, we received a formal notice of infraction from the European Commission alleging that the UK has not taken adequate steps to prevent losses to the EU budget from customs undervaluation fraud. We do not agree with the Commission’s estimate of evaded duty and accept no liability. The UK has taken reasonable and appropriate steps to address suspected fraud. We have written to the Commission and to OLAF (the European Union’s anti-fraud office) to set out our argument in detail. HMRC’s compliance approach continues to evolve as new information becomes available and we learn from ongoing operations. This includes carrying out targeted inland pre-clearance checks in partnership with Border Force.

£3.2bn

Customs duties collected in 2017-18
EU exit: Government planning for the border

We co-chair and resource the work of the cross-government Border Planning Group, which provides oversight and assurance of the planning work across government for dealing with the operational and practical impacts of EU exit on the UK’s border. There are over 30 UK government departments and agencies with responsibility for border activity. The work of the Border Planning Group ensures that all border-related projects, programmes and plans for exit are coordinated and optimised to deliver maximum benefits in the immediate and, where appropriate, longer term.

National Minimum Wage

Our role in enforcing the National Minimum Wage plays a crucial part in building a fairer society where work pays for everyone. We work to ensure businesses meet their legal obligations — and workers can lodge complaints directly to us if they think their employer isn’t playing by the rules.

Tax reliefs

Tax reliefs are designed to benefit the economy or support wider government aims by reducing tax for particular groups or things. We publish statistics on our tax reliefs every year, including cost estimates for tax reliefs where this is available and a list of those where costs are not available. In 2017-18, we provided 424 different tax reliefs, 105 costing £50 million or more and 80 costing less than £50 million, totalling over £400 billion.

Read our latest tax relief statistics and cost estimates at www.gov.uk/government/collections/tax-relief-statistics

Devolution

The devolved legislatures already possess some powers over taxation, with more coming into effect next year. We work closely with the revenue authorities in Scotland and Wales that administer fully-devolved taxes on land transactions and landfill disposals, looking at how best to share data, knowledge and experience. We administer Scottish income tax and incorporate the rates and bands set annually by the Scottish Parliament. We are working on the introduction of Welsh rates of income tax from April 2019, which we will administer. We’re also preparing to enable Northern Ireland Corporation Tax rate-setting powers, if it’s agreed that devolution should occur.
## Our key statistics

### Figure 12: In summary — key performance indicators

<table>
<thead>
<tr>
<th>Maximise revenues due and bear down on avoidance and evasion</th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash expected from compliance</td>
<td>£10.3bn</td>
<td>£10.3bn</td>
</tr>
<tr>
<td>Future revenue benefit</td>
<td>£6.3bn</td>
<td>£6.1bn</td>
</tr>
<tr>
<td>Revenue loss prevented</td>
<td>£7.9bn</td>
<td>£9.7bn</td>
</tr>
<tr>
<td>Product and process yield</td>
<td>£3.0bn</td>
<td>£3.4bn</td>
</tr>
<tr>
<td>Accelerated Payments</td>
<td>£1.3bn</td>
<td>£0.8bn</td>
</tr>
<tr>
<td><strong>Total compliance yield</strong></td>
<td><strong>£28.9bn</strong></td>
<td><strong>£30.3bn</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax credits error and fraud — the proportion of error and fraud within the tax credits system</td>
<td>4.8% (£1.4bn)</td>
</tr>
<tr>
<td>Tax gap — difference between all the tax theoretically due and tax actually collected</td>
<td>5.7% (£32bn)</td>
</tr>
</tbody>
</table>

### Transform tax and payments for our customers

<table>
<thead>
<tr>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Overall customer satisfaction — digital services</td>
<td>83.0%</td>
</tr>
<tr>
<td>% iForms turnaround in seven days</td>
<td>99.0%</td>
</tr>
<tr>
<td>Average speed of answer</td>
<td>03:54</td>
</tr>
<tr>
<td>% of outliers (new target for 2017-18)*</td>
<td>-</td>
</tr>
<tr>
<td>% of post received by HMRC that has been cleared within 15 working days of receipt*</td>
<td>81.0%</td>
</tr>
<tr>
<td>% of post received by HMRC that has been cleared within 40 working days of receipt</td>
<td>96.3%</td>
</tr>
<tr>
<td>Average turnaround (days) of new tax credits and Child Benefit claims and changes of circumstances for UK customers</td>
<td>16.2</td>
</tr>
<tr>
<td>Average turnaround (days) of new tax credits and Child Benefit claims and changes of circumstances for international customers</td>
<td>51.8</td>
</tr>
</tbody>
</table>

### Design and deliver a professional, efficient and engaged organisation

<table>
<thead>
<tr>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit costs (pence per £ collected/paid out)</td>
<td></td>
</tr>
<tr>
<td>Collecting income tax (Self Assessment and Pay As You Earn)</td>
<td>0.83</td>
</tr>
<tr>
<td>Collecting Corporation Tax</td>
<td>0.68</td>
</tr>
<tr>
<td>Collecting National Insurance Contributions</td>
<td>0.22</td>
</tr>
<tr>
<td>Collecting VAT</td>
<td>0.59</td>
</tr>
<tr>
<td>Administering tax credits</td>
<td>1.65</td>
</tr>
<tr>
<td>Administering Child Benefit</td>
<td>0.50</td>
</tr>
<tr>
<td>Sustainable cost savings</td>
<td>£181m</td>
</tr>
<tr>
<td>Cumulative customer cost reduction</td>
<td>£28.2m</td>
</tr>
</tbody>
</table>

Customer focus: 
Large businesses

This customer group consists of the largest and most complex businesses. They are high-value taxpayers and play a pivotal role in the economy. They also manage complex supply chains and have a vital role in ensuring tax compliance across these chains.

How we work with this customer group

We manage large businesses by using dedicated customer compliance managers and tax teams, who know and understand their tax affairs. This gives us an early idea of any potential disputes, issues or arrangements which could be open to legal interpretation. We secure the best data and intelligence to identify non-compliance promptly and seek national and international agreements on data-sharing to make the economic activity and tax affairs of large businesses more transparent. We use litigation to resolve risks where appropriate - and publicise the outcome as a deterrent.

Large businesses: broadly defined as turnover exceeding £200 million

£135bn
Estimated receipts from Corporation Tax, VAT and others

£9bn
Yield generated from our compliance activities

£7bn
Tax gap estimate for 2016-17

£205m
Estimated spend on compliance activities

8m
Employments by businesses which are dealt with as large

£110bn
PAYE and NICs from individuals or wealthy customers*
82% of large businesses rated their overall experience of dealing with HMRC as ‘good’ *

*HMRC large business survey 2016

* Estimated PAYE and NICs receipts collected from large businesses but paid by individual and wealthy customers
Progress against our commitments

We are committed to delivering further improvements to how we maximise revenues, improve customer service, make sustainable cost efficiencies and include and involve our people. Our main external commitments are covered in our 2017-18 Single Departmental Plan, covering key areas such as generating payments and tackling fraud and error. Where there is a risk to delivery or a commitment is not on track, we provide an explanation below.

**Figure 13: Single Departmental Plan commitments**

<table>
<thead>
<tr>
<th>Maximise revenues due and bear down on avoidance and evasion</th>
</tr>
</thead>
<tbody>
<tr>
<td>We will build on our success in collecting £574.9 billion in total revenues over 2016-17 and the overall downward trend in the tax gap over the past decade.</td>
</tr>
<tr>
<td>We will deliver compliance revenues of £28 billion in 2017-18 through our compliance and enforcement activity.</td>
</tr>
<tr>
<td>We will continue to identify and prevent losses in the tax credits system so that error and fraud is no more than 5% as we support the transition to Universal Credit. The early termination of the Concentrix contract, which provided additional capacity and, to a lesser extent, the strengthened self-employment test (C&amp;P) means we forecast not to achieve the 5% error and fraud target in 2017-18. We continue to pursue opportunities to address error and fraud and we have embedded changes to our compliance processes and implemented education and reminder campaigns to guide customers to claim correctly.</td>
</tr>
<tr>
<td>We will invest £800 million into additional work to tackle evasion and non-compliance in the tax system, with a further £155 million of investment announced at Autumn Budget 2017 for future years up to 2019-20.</td>
</tr>
<tr>
<td>We will raise an additional £5 billion a year by 2019-20 by tackling tax avoidance and aggressive tax planning, evasion and compliance, and by addressing imbalances in the tax system. This includes the following commitments:</td>
</tr>
<tr>
<td>– extending our model for the wealthiest individuals to a further 2,000 individuals with net wealth between £10 million and £20 million</td>
</tr>
<tr>
<td>– strengthening our work around identifying those who seek to operate in the hidden economy</td>
</tr>
<tr>
<td>– increasing our ability to prevent alcohol and tobacco smuggling.</td>
</tr>
<tr>
<td>We will strengthen the sanctions and deterrents against tax avoidance.</td>
</tr>
<tr>
<td>We will continue to tackle tax avoidance, closing schemes and collecting yield of more than £1.3 billion in 2017-18 through Accelerated Payments (AP) and collect yield of £1.1 billion in tax settlements. Issuing of AP notices was affected by a Court of Appeal decision received at the end of 2017 and many judicial review claims could not be progressed while the effects of the judgment were considered. This delayed the issue and payment of AP Notices bringing in £0.8 billion against a target of £1.3 billion. Settlement yield for marketed avoidance cases was on target of £1.1 billion.</td>
</tr>
</tbody>
</table>

Continued
We will increase the number of criminal investigations that we undertake into serious and complex tax crime, focusing particularly on wealthy individuals and corporates, with the aim of increasing prosecutions in this area to 100 a year by the end of the Parliament.

We will support the government in making it a crime when companies fail to put in place measures to stop tax evasion in their organisation, making sure that penalties are large enough to punish and deter such behaviour.

We will ensure global companies pay their fair share in tax by supporting the government’s leading role in the reform of international tax rules.

We will review the country by country tax reporting rules and consider the case for making this information publicly available on a multilateral basis.

We will further strengthen our ability to police the National Minimum Wage, with new teams to undertake proactive reviews of those employers considered most at risk of non-compliance.

We will ensure developing countries have full access to global automatic tax information exchange systems and continue to build the capacity of tax authorities in developing countries.

**Transform tax and payments for our customers**

We will invest £1.3 billion to transform HMRC into one of the most digitally advanced administrations in the world, finishing the delivery of our multi-channel digital services so we become a ‘digital-by-default’ organisation.

We have prioritised our transformation portfolio to support additional projects generated by EU exit. In order to release project capacity, we have actively managed our transformation portfolio. In our assessment, the new portfolio is ambitious but deliverable. We will keep our priorities and capacity under review.

We will accelerate channel shift, and continue to encourage customers to use digital services.

We will continue to roll out and develop digital tax accounts, enabling customers and their authorised agents to see all their tax affairs in one place, and be able to check at any time that their details are complete and correct.

We will work with HM Treasury and the Department for Work and Pensions (DWP) on the transition to Universal Credit, making this as smooth as possible for staff and claimants, in line with the migration plan led by DWP.

We will support the government’s pensions and savings reforms by continuing to design and deliver the new Lifetime ISA and support the delivery of the new ‘Help to Save’ initiative.

We will gradually roll-out Tax-Free Childcare support to eligible households to help with the cost of childcare, enabling more parents to go out to work or work more, to provide greater security for their families.

We will continue to monitor Annually Managed Expenditure risks and work with HMT officials to develop operational and policy ideas to minimise fraud, error and debt.

Continued
We will support the government to negotiate a successful EU exit and future partnership.

We will implement changes so that the tax and customs system — including the Customs Declaration System (CDS) — will be ready for that outcome.

We will support UK businesses so that they can continue to meet their obligations.

We have a pivotal role in ensuring that after EU exit goods continue to flow into, and out of, the UK and that any tax and duties are collected. To date detailed work has focused on understanding the issues that will affect HMRC and our customers. As we head towards EU exit, detailed impacting and delivery planning is under way to inform and support the government in reaching a successful outcome in the ongoing negotiations. We are delivering the new Customs Declaration Service, which is designed to support any new UK customs regime, and is on track to be delivered in January 2019.

We will achieve an average of 80% customer satisfaction for our digital services. In 2017-18 we narrowly missed our 80% target for satisfaction with digital services at 79.8%. To improve customer satisfaction with our digital services, we have established closer working across all digital services allowing for expertise to be shared, a rolling plan of system enhancements and a new forecasting model which should allow early intervention.

We will answer customer calls to our helplines within an average speed of answer of below five minutes throughout 2017-18.

We will reply to 95% of customer correspondence received via iforms in the Personal Tax Account within seven days.

Due to issues with our digital robotic solutions and bedding in of the new measure in the early part of 2017-18 we narrowly missed the target. These issues have been addressed and we continue to see improved performance.

We will reply to 80% of qualifying post in 15 days where customers are expecting a reply, and 95% in 40 days.

We will handle new tax credits and Child Benefit claims and changes of circumstances for UK customers within an average of 22 days.

We will handle new tax credits and Child Benefit claims and changes of circumstances for international customers within an average of 92 days.

Design and deliver a professional, efficient and engaged organisation

We will improve employee engagement each and every year, continuing to make consistent positive progress towards achieving the Civil Service Employee Engagement Index benchmark (which was 59% in 2016).

We will increase the percentage of staff each and every year who feel they have the skills required to do their job effectively, working towards the Civil Service benchmark (which was 89% in 2016).

We will continue to transform our estate into modern, adaptable workspaces, creating 13 new regional centres over the next five years, serving every nation and region in the UK.

We will ensure these regional centres will bring staff into more cost-effective buildings, while making it easier for HMRC teams to collaborate and modernise the way they work.

We will secure a cumulative £380 million of sustainable efficiencies, in line with Spending Review 2015 and subsequent fiscal events. We expect to meet this commitment and continue to work towards £717 million target of annual, sustainable efficiencies by 2019-20.

We will achieve £1.9 billion of cumulative savings over the Spending Review. We reprioritised our transformation work to ensure we can deliver on new priorities such as EU exit. Stopping or pausing some of this work may result in our efficiencies materialising over a longer timeframe.

We will continue to support the Greening Government commitments, working towards the 2019-20 targets set for us by government to:

• reduce greenhouse gas emissions from a combination of energy use and business travel by 45%
Our performance

- cut our waste, increase recycling and reduce waste sent to landfill to less than 10% of our overall waste.
- cut office paper use by 50%
- reduce the number of domestic flights undertaken by 30%

We will contribute to the Global Goals for Sustainable Development through recruitment of a diverse workforce.

Jon Thompson
Principal Accounting Officer
6 July 2018