

# Delivering our Vision

Business Plan 2012-15



Helping our customers  
to get it right first time



Maximising revenue flows  
and improving compliance



Making sustainable cost reductions  
to achieve best value for money



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# HMRC Purpose, Vision and Way

In November 2008, we launched our Purpose, Vision and Way to make it clear to everyone what the Department is here to do, where it is going and how we will deal with customers and each other.

## Our Purpose

- We make sure that the money is available to fund the UK's public services
- We also help families and individuals with targeted financial support

## Our Vision

- We will close the tax gap, our customers will feel that the tax system is simple for them and even-handed, and we will be seen as a highly professional and efficient organisation

## Our Way

- We understand our customers and their needs
- We make it easy for our customers to get things right
- We believe that most of our customers are honest and we treat everyone with respect
- We are passionate in helping those who need it and relentless in pursuing those who bend or break the rules
- We recognise that we have privileged access to information and we will protect it
- We behave professionally and with integrity
- We do our own jobs well and take pride in helping our colleagues to succeed
- We develop the skills and tools we need to do our jobs well
- We drive continuous improvement in everything we do

# Foreword



As the new Chief Executive of HM Revenue & Customs, I am very pleased to be publishing a business plan for what we are going to deliver over the next three years and how it will be achieved.

This plan builds on the solid foundations laid down by my predecessor, Dame Lesley Strathie. Under her leadership, HMRC focused on three strategic priorities – maximising tax revenues, stabilising and improving the customer experience and reducing costs sustainably.

Our approach is enshrined in our Purpose, Vision and Way and customer Charter. We aim to be even-handed in administering the tax system and acknowledge that the vast majority of taxpayers do comply with their tax obligations. But where taxpayers seek to avoid or evade tax, or criminals attack our systems, we will relentlessly pursue them. The message is simple – cheating the tax and benefits system will not be tolerated.æ

We are investing hundreds of millions of pounds in compliance-related work to make sure everyone pays their fair share. In 2011-12 we are due to exceed our £15 billion year-end target and collect an additional £20 billion a year by 2015. Groundbreaking tax agreements with countries such as Switzerland and Liechtenstein also mean that those who bend or break tax rules will have fewer places to hide. We are also committed to improving transparency, accountability and scrutiny and we will implement the changes to our governance of large tax settlements announced in February 2012, including the appointment of a new tax assurance Commissioner.

To achieve good customer service, we must help our customers get their tax affairs right while improving our own performance. We know some of our service standards need improvement and we are working hard to reach the standards our customers expect. During 2011-12, we handled an average of 74 per cent of call attempts at our contact centres, against a performance last year of 48 per cent. We significantly improved our post handling times, turning around 65 per cent of PAYE and Self Assessment post within 15 working days – up from 37 per cent the year before.

Accuracy of PAYE coding notices are now at more than 98 per cent and all 17.9 million of our legacy PAYE open cases will be cleared by December 2012. Meanwhile, more than 90 per cent of Self Assessment taxpayers filed returns by the 31 January deadline and a record 80 per cent filed online. We will also play a crucial role in the transition to Universal Credit, while continuing to reduce levels of fraud and error in the tax credits system.

We must also be a more cost-efficient organisation, through better IT systems, a smaller estate and a smaller, more specialised workforce. Not surprisingly, this has meant a particularly difficult time for our thousands of dedicated and hard-working staff. Staff engagement has seen some improvement, but we are still a considerable way from where we need to be. We must now build on that improvement, so they feel well supported and are proud to say they work for HMRC.

We clearly have a lot to do between now and 2015 and the detailed actions we are taking are not without risk: we cannot know what circumstances might arise that could impact our plan during the next three years. But it is right we provide clarity of purpose and direction for ourselves, for our stakeholders and, most of all, for our customers.

A handwritten signature in black ink that reads "Lin Homer". The signature is fluid and cursive.

Lin Homer, Chief Executive and Permanent Secretary

# Highlights of 2011-12

## Maximising revenue



**£15+**  
**billion**

expected revenue  
through compliance work

### Improved compliance

We are on track to exceed our target of £15 billion from our compliance activities and by the end of February 2012 we had already brought in over £14 billion.

### Landmark tax agreements

A breakthrough tax agreement signed between Switzerland and the UK in October 2011 is expected to bring in billions of pounds in extra revenue from offshore accounts.

### Supreme Court ruling

We won a landmark Supreme Court case in May 2011. The ruling defeated an avoidance scheme which involved buying software that qualified for tax allowances. We estimate that we will collect in the region of £1.8 billion as a result of this ruling.

### Criminal investigations

By February 2012, our reinvestment in criminal investigation had resulted in 424 individuals being charged and 363 convicted with a success rate in court of 94 per cent. The revenue loss prevented as a result of our investigations was £800 million.

### Tobacco fraud

By February 2012, we had secured 42 successful convictions for tobacco smuggling, preventing £276 million of losses and obtaining confiscation orders worth £1.3 million.

### Debt down

The amount of customer debt owed to the Exchequer has decreased steadily over the past two years and by around £2.4 billion between February 2011 and February 2012.

## Our customers



**9 million**

people filed Self Assessment tax returns online

### Online returns successes

By December 2011, 80 per cent of VAT returns were received online and by 31 January 2012, a record 9.45 million Self Assessment tax returns were filed by the deadline. At its peak, more than 440,000 submissions were handled in a single day.

### Answering more contact centre calls

We have seen a marked improvement in the number of calls handled, but still have significant progress to make. By the beginning of February, we had handled 74 per cent of calls in the year to date, compared with 42 per cent at the same point in 2010-11.

### Tax credit performance

By February 2012, we had prevented £1.3 billion of losses and expect to exceed our year-end target of £1.7 billion. We also helped more tax credit customers renew at the first attempt, reducing demand on our helplines by more than two million calls.

### Open cases clearance work on track

Ten million open cases, where the old computer system had not been able to reconcile the customer records to ensure the correct amount of tax has been paid at the end of the year, were cleared by February 2012 and we are on track to clear all remaining legacy open cases by the end of 2012.

### Real time data from employers

We are on track for all employers to send us Real Time Information (RTI) data about their employees by October 2013. RTI will improve the operation of PAYE and also support the successful introduction of Universal Credit – the Government's flagship welfare programme.

## Cost reductions



### IT savings programme delivers £161 million

By focusing on switching off underused IT equipment and systems, combined with making the most of innovative staff ideas to simplify our IT estate, we have delivered £161 million year-on-year savings.

Our ongoing cost-saving activities have cut overall IT costs from 23 per cent of HMRC spend in 2008-09 to 16 per cent in 2009-10 and a forecast of 12 per cent in 2011-12.

### Payment savings

Our Method of Payment Reform programme has contributed to savings of £28 million in three years with a further £84 million due by 2015 – saving the taxpayer £112 million by converting more than 234,000 cash cheques to direct payment and by reducing the Post Office Card Account contract charges.

### Reducing carbon emissions

In the nine months to December 2011, we reduced carbon emissions from the gas, electricity and oil used in our buildings by 18.5 per cent, saving more than £3 million from our energy bills.

### Paper reductions

We cut the amount of photocopier paper used in our offices by almost 22 million individual sheets in the nine months to December 2011, resulting in a cost-saving of more than £99,000.

## Our people

### March 2012

New Tax Academy launched



### Celebrating success - HMRC People Awards

Our first HMRC People Awards allowed us to recognise and celebrate inspirational colleagues and teams from across the organisation.

### Business in the Community Award

We won a Business in the Community Award in 2012 in recognition of our efforts to reduce business travel. By using new technology for enhanced video and telephone-conferencing facilities, we have reduced financial and environmental costs.

### London 2012 Olympic and Paralympic Games

We are working with partners across government to deliver a successful London 2012 through the use of internet guidance, events, media releases and a dedicated helpline.

### A new Tax Academy

We launched our new Tax Academy in March 2012 as the next step in building tax professional skills among our 18,000 tax professionals.

### Civil Service Award for leadership

HMRC manager Jackie Heron won the Civil Service Award for leadership at a ceremony in London. The awards, presented by former Cabinet Secretary and Head of the Home Civil Service Sir Gus O'Donnell, highlight excellence in public service.

### Professional skills

The Operational Delivery Profession, covering 43,500 of our people working in customer-facing roles, officially launched in April 2011 to improve customer service by building professional capability and achieving industry standards for excellent performance in the workplace.

# The next three years: what we want to achieve

**Our customer strategy:** our goal is to maximise tax revenues at the lowest overall cost to customers and ourselves, while stabilising and improving the experience that customers have when they deal with us.

By 2015, we aim to become an organisation that is more efficient, more flexible in our response to customers and more effective in bringing in revenues. We will be smaller and more streamlined as we remodel services for customers and invest in work against tax avoidance, evasion and criminal attacks.

Our strategy is to use our understanding of our customers to focus our efforts where we can have the biggest effect, and tailor our services and interventions to the needs, abilities and behaviours of our customers.

This means that we will aim to reduce costs for us and for customers by simplifying processes and moving to cheaper service channels, particularly online. In this way, we will make it as straightforward as possible for customers to register, submit returns and to pay the tax that is due, and therefore reduce the need for them to contact us. We will make it easier for customers to self-serve, giving them more control over their own tax affairs. However, we will continue to provide support and guidance for those customers that need our help, and be more proactive with help around key life events, such as retirement or starting a business.

For those who choose not to comply, we will focus more resource on identifying and tackling fraud (for example, through risk-led task forces and campaigns) and increasing the number of interventions and criminal prosecutions. We will invest in effective deterrence mechanisms, such as publicising our activities and highlighting the consequences of evasion among high-risk sectors.

We will disrupt the activities of organised criminals working closely with other law enforcement agencies, and we will recover assets and profits from criminal activity.

We will use our knowledge of customers to support the development and implementation of tax policy.

As announced in February 2012, we have already taken steps to strengthen oversight and governance of significant tax disputes to provide greater transparency, scrutiny and accountability. Among other measures, we will: introduce a new Commissioner with an explicit challenge and assurance role; create a Tax Dispute Resolution Board to cover significant disputes with all customer groups; and provide more information in our annual report and accounts on tax disputes.

We will continue to be robust and professional when it comes to our security arrangements, ensuring the continuity of key processes and maximising the use of our information assets.

Our customer strategy ensures we put customer understanding at the heart of all our plans and activities, to maximise our influence on customer behaviours, encouraging compliance, tackling fraud, reducing error, but still providing help and support to those customers who really need it.

There is more information about our customer strategy on page 36.



**How and why we're changing:** we put customer understanding at the heart of everything we do. That is why the changes we are making now, through the HMRC Change Programme, are aligned to our customer strategy.

Now in its second year, the change programme brings together a portfolio of projects from across HMRC. This includes technology, process and people initiatives that will drive the transformation we need to make to achieve our 2010 Spending Review (SR10) objectives, which include:

- making significant savings – reducing our costs by 25 per cent – by 2015
- making it cheaper and easier for our customers to pay their tax and claim their benefits and credits
- reinvesting £917 million of the savings we make to tackle avoidance, evasion and criminal attack. By 2014-15 this will bring in an extra £7 billion of additional revenue each year
- delivering Government priorities for change in the tax system.

At the end of 2011, the change programme conducted the first of its half-yearly stock-takes to identify in detail what is working well and where we need to improve. This level of detail provides our Executive Committee with the data it needs to make key decisions about what we prioritise now and in the future. The first stock-take highlighted the following:

- we forecast that our compliance activities, including the SR10 reinvestment, would bring in £15 billion this year and we are on track to achieve this goal
- we are confident that we will achieve our savings target of £392 million by April 2012
- all the change projects are underway, but are at different stages of maturity
- the investment portfolio for the next three years has been agreed
- a robust governance and assurance process has been developed.

An independent review in October 2011 by the Major Projects Authority (made up of the Cabinet Office and HM Treasury) concluded that the change programme was in good shape at this stage of its development.

The change programme will continue to work closely with teams in our lines of business to:

- meet our 2013-14 and 2014-15 compliance targets for additional revenues from the £917 million reinvestment allocations
- look at ways of further prioritising our investment funding over the remaining three Spending Review years
- effectively support projects that will help us as a whole to reduce costs, drive efficiencies and improve our customer experience
- deliver key IT and infrastructure projects to implement major projects, such as the Real Time Information (RTI) programme and One Click
- continue to strengthen our systems of governance and assurance to help us ensure that we deliver the benefits we say we are going to deliver
- support our Workforce Management Programme in achieving savings of £72 million by 2014-15 through office consolidations, relocations, closures and redeployment
- ensure that by 2013, we are using PaceSetter\* ways of working to help us continually improve everything we do from the perspective of the customer. PaceSetter also plays a critical role in reducing costs and improving customer service performance
- build on the success of pilots in Self Assessment and VAT to review and redesign our key business process.

The success of the change programme is the strong partnerships we continue to build with key suppliers, customers, external stakeholders and our staff.

\* PaceSetter is a set of principles, supported by tools and techniques, which is used to improve staff efficiency in the workplace. It identifies and cuts wasteful processes which are not focused on the customer.

## Real Time Information

Real Time Information (RTI) is a key Government priority aimed at improving the operation of PAYE by making the system better for taxpayers and easier for employers and HMRC to administer. It is also key to the successful introduction of Universal Credit – the Government’s flagship welfare programme.

Under RTI, employers and pension providers will tell us about PAYE payments at the time they are made – as opposed to the current annual end-of-year reporting system. We estimate this will reduce the administrative burden on employers by approximately £300 million and enable us to obtain more up-to-date, accurate employment data so customers’ income records are a more ‘real-time’ reflection of their current status. For some customers, this means we can make changes to their tax codes quicker during the year.

We are on track to deliver RTI on time. A 12-month pilot commences in April 2012 with ten volunteer employers. We aim to have around a further 300 volunteer pilot employers join in May-June 2012, followed by around 1,000 more volunteer employers during July-September. Depending on the success of this early pilot, we aim to have up to 250,000 employers sending us real-time information by April 2013. Most employers will join from April 2013 with all employers on board RTI by October 2013, in time for the Department for Work and Pensions (DWP) to launch Universal Credit.

## Universal Credit

We are working with DWP to introduce the new Universal Credit (UC), which is the biggest reform of the welfare system in more than 60 years.

The current system of financial support (for example, Housing Benefit, Job Seekers Allowance and Tax Credits) is administered by a number of departments and agencies and can be very complicated. The aim of UC is that it will be simple to use and will clearly incentivise working.

It is a single household allowance, tailored to a claimant’s needs, with additional payments for housing, children, disability or caring responsibilities. It will be administered by DWP, except for Northern

Ireland, where it will be administered by the NI Social Security Agency (NISSA).

We are a key contributor to the success of UC, through providing information on claimants’ earnings, sharing our experience of the development of tax credits and ensuring our current tax credit customers have a smooth transition to the new system.

The way we will provide key information to DWP is through the RTI programme. This means the information we provide to DWP about claimants is more timely, allowing them to calculate a person’s entitlement to UC more accurately and efficiently. This makes things easier for the claimant and helps prevent fraud.

We have also loaned some of our experienced tax credit staff to DWP to help design UC by sharing their experience and expertise. Internally, we are working to co-ordinate the impact of UC on our lines of business, prepare our customers for the changes and safeguarding the interests of our people through the transition period, from 2013 to 2017.

## Customer experience - improving accessibility, accuracy and timeliness:

by 2015, we want our customers to feel that 'HMRC gets my tax/tax credits right, so I do not usually need to deal with them directly. If I do, I can find what I need online and I know that if I contact them I'll get a quick response and they'll give me the right advice'.

In order to achieve this, we want to improve accuracy and efficiency, target communications and guidance and improve online support so people can find the answers they need; for example, by adding to and improving our automated solutions. In this way we will reduce the amount of low-value contact that customers currently need to make so that we are able to improve the percentage of call attempts handled, turn around 80 per cent of correspondence in 15 working days and 95 per cent in 40 working days and sustain this consistently until 2014-15. We will be exploring different ways of measuring this as part of our work to develop a more sophisticated range of indicators for customer experience.

To achieve these goals, we will need to understand more about customer behaviour – especially the reasons why customers make contact with us. This will mean driving down error rates (both ours and our customers'), reducing delay and getting a better balance between the different measures of our telephone performance, including our use of automated telephone messages and customer waiting times, as well as measuring how many calls we answer.

We will publish performance in the following areas:

### Customers find us straightforward:

- Our goal is to restore measured customer experience to 2009-10 levels. This equates to customer experience survey scores of 75.8 per cent (an increase of 4.8 percentage points on the position at March 2011). This survey covers the vast majority of our customers: individual customers, financial agents and Small and Medium Enterprises (SMEs).

### Customer service standards:

- Accessibility – by 2014-15, we aim to achieve 90 per cent of call attempts handled

- Timeliness – in addition to our correspondence measures, we will process UK Tax Credit and Child Benefits claims and changes in an average of 22 calendar days
- Accuracy – we measure accuracy across a range of our services and will report our performance against a number of areas that we know our customers care about, such as Tax Credit claims and Self Assessment/PAYE processing.

### Customer cost reduction:

- We will report the impacts of changes to the cost to customers of dealing with HMRC in the quarterly data summary and our annual business plan.

Over this period we also plan to deliver targeted and more ambitious improvements for particular customer groups. In particular, we plan to put in place a range of improvements for SMEs and the agent community. These are explained in more detail later in this business plan.

We will report against these headline measures for accessibility, timeliness, accuracy and cost to ensure that we get core services right for our customers. But we know that customer experience is driven by a wide and complex range of factors. These are a key part of our internal measures of success and we are currently developing a more sophisticated range of indicators for customer experience.

We are committed to improving our relationship with customers and how we work with them, and also how customers should deal with us. This commitment is set out in the Charter which was published in November 2009 following an extensive consultation exercise. We will publish a report each year that details how we have demonstrated the standards of behaviour and values included in the Charter. The full text of the Charter is on page 46.

**Stopping tax credit fraud and error:** over the next three years, we will keep the level of tax credit error and fraud losses at no more than five per cent of final entitlement.

We know that many of our benefits and credit customers need support to get their claims right first time to reduce error. We are here to help and will tailor our services to prevent error and provide a better service at minimum cost.

To stop rule breakers and organised criminals, we will continue to work with the Department for Work and Pensions to implement a joint fraud and error strategy, so we can prevent, detect, correct, punish and deter rule-breakers and criminals.

We will continue to stop error and fraud from entering our systems at the beginning of our processes by building on our 'check first, and then pay' approach to new claims for tax credits.

By working closely with other public sector bodies and third parties to get a fuller picture of error and fraud across government, we will identify opportunities to improve our overall level of performance.

We will improve how we analyse levels of risk, so we can decide the most effective, targeted actions for our

different customer groups and provide an effective and sustained deterrence against fraud.

For the minority of our customers who deliberately make incorrect changes or claims, the likelihood that they will get caught will increase and we will strengthen the sanctions we then apply. This includes increasing the number of penalties imposed to punish rule-breakers and to prevent re-offending.

RTI will also make things easier for the customer, and help prevent fraud. We will use it to reduce tax credits error and fraud and overpayments by targeting interventions at areas of risk, for example, where RTI indicates income has risen but the change hasn't been reported by the customer.

Our strategic approach means that, subject to the introduction and impact of Universal Credit, we will increase the losses we prevent from £1.7 billion in 2011-12 to £2.3 billion by the end of 2014-15. By doing this, we will maintain overall losses at no more than five per cent.

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The amount of Tax Credit losses we will prevent by the end of 2014-15

**£8 billion**



**Making the most of information technology:** we have one of the largest IT infrastructures in the UK and our IT plays a vital part in supporting the delivery and achievement of our key objectives.

This means we will support major IT projects over the next three years which are pivotal to the success of our customer strategy and spending commitments.

The expansion of online and digital access to government services continues to be a high priority for us. We are at the forefront of the government and G-Digital agenda in developing online self-service for its customers with two major programmes. These are the One Click programme, which is a series of linked projects that will allow businesses to register for government services and keep track of their tax liabilities online and the RTI programme.

Between now and 2015, we will deliver IT that is even more reliable and better meets the needs of our people, so they can do their job more effectively and efficiently. We will improve the availability and performance of our IT systems and our projects will be delivered to time, cost and quality targets. To ensure our infrastructure continues to support business delivery, we will roll out 16,000 replacement desktops and 7,000 laptops for our staff, implement a new telephony system and continue to replace file and print servers. We will also consolidate and improve our IT data centres so collectively we can achieve increased productivity, lower costs and greener IT.

To ensure our IT running costs do not increase, new system costs will be paid for by switching off systems we no longer use or by reducing consumption.

The security of our IT systems is a vital part of what we do in keeping our customer records safe and secure. This means we will be working in a number of related areas to ensure their continued integrity. These include security access management, boundary controls, cyber-security and cross-government security.

As part of our continued drive to simplify and consolidate our IT resource, we have developed a '13 machines strategy' which works by exploiting and merging our IT processing onto a set of 13 key technologies that we already have. This will make our IT more flexible, manageable and cost effective.

To reduce the cost of our IT significantly and sustainably during 2012-13 and beyond, we will deliver new contractual arrangements to ensure continued reduction of costs over the next three years. We will also fully support the government's strategic shared services agenda during 2012-13 by delivering key milestones in the three areas we are responsible for, which are reference architecture, end user device strategy and technical standards.

**Tackling tax avoidance:** tax avoidance accounts for 14 per cent of the tax gap\* based on our latest figures. It distorts competition and undermines public confidence in the tax system. Our strategic approach to tackling tax avoidance is a key element in our drive to close the tax gap and protect the funds needed to pay for public services. We will concentrate our resources on the areas where the greatest risk of tax loss through avoidance arises. This means that we will focus on large business and wealthy individuals. We will also address widespread attempts at avoiding stamp duty land tax.

Our anti-avoidance strategy focuses on:

- preventing opportunities for tax avoidance
- detecting tax avoidance activity early
- countering tax avoidance by challenging avoidance transactions.

The best way to prevent tax avoidance is by stopping opportunities arising in the first place. To achieve this, we will help design legislation which provides certainty for taxpayers without creating loopholes. We will also develop strategies to influence the behaviour of those inclined to participate in, or promote the use of, tax avoidance schemes. Unless in exceptional circumstances, where the Government decides that consultation would present a risk of tax loss, we will consult our customers on new legislative measures to make sure that they are proportionate and effective.

In December 2010, the Government asked tax barrister Graham Aaronson to examine whether a General Anti-Abuse Rule (GAAR) could deter and counter tax avoidance, while preserving the integrity of the current tax regime. As announced at Budget 2012, we will consult on a GAAR, which will deliver the objectives set out in the Aaronson report in a way which is practical and effective for both taxpayers and HMRC.

In 2011-12, the Government took immediate action on seven occasions to shut down tax avoidance schemes by announcing legislation to remove the loopholes which those schemes sought to exploit. Those schemes posed a very serious threat and

demonstrated how important it is for us to identify and respond to new avoidance risks quickly. The Disclosure of Tax Avoidance Schemes (DOTAS) regime is an important source of early information on the development and scale of new avoidance risks to the tax system and helps us to decide the best way to tackle those risks. We will continue to maintain effective rules on disclosing avoidance schemes and make full use of intelligence received through DOTAS and other sources.

We will work with tax authorities in other countries to develop new levels of international collaboration and cooperation to tackle tax avoidance and improve tax administration. We will challenge those who threaten the integrity of the tax system as users, promoters or facilitators of tax avoidance schemes, prioritising our resource on those who present the most significant risks.

We will manage enquiries in a consistent and cost-effective way. We will apply tax law even-handedly, so that those who seek to push the boundaries of tax law by entering into artificial arrangements do not gain an unfair advantage. We will resolve disputes in accordance with our litigation and settlement strategy, pursuing cases to litigation where it is found to be the most appropriate solution after alternative options have been explored.

\* The tax gap is the difference between the amount of tax that should in theory be collected, against what is actually collected. Further information about how we measure tax gaps can be found at [www.hmrc.gov.uk/stats/mtg-2011.pdf](http://www.hmrc.gov.uk/stats/mtg-2011.pdf)

**Tax evasion and organised crime - depriving the UK of money for public services:** tax evasion accounts for 12 per cent of the tax gap while organised crime - smuggling and attacks on repayment systems - costs the Exchequer between £5 billion and £6 billion a year, which is around 16 per cent of the tax gap.

Those who seek to evade their tax responsibilities hamper growth, deprive the UK of money to fund public services and put additional financial burdens on the honest majority. We will deal with them in ways that are effective in managing and changing their behaviours for the future. Evaders and criminals are beginning to feel a marked difference in the risks associated with not paying the tax that is due and this reflects our commitment to the majority of customers who get it right and pay the tax that is due.

Our strategy is to focus more resource on tackling those who deliberately break the rules. We are reinvesting efficiency savings into a range of compliance activities and making it easier and cheaper for customers in the 'willing and able' and 'needs help at customer life events' segments to deal with us. This means we can continue to switch compliance resources to focus on those in the 'rule breakers' and 'organised criminal' segments.

Our work is not just about directly tackling rule breakers and criminals: our goal is to maximise the impact of our compliance work, and the deterrent effect it has. Over time, the 'potential rule breakers' will hear more about how we are tackling tax evasion and our message is clear: don't be tempted to break the rules as we will relentlessly pursue those who do.

This means we will be focusing on a number of activities:

- identifying and tackling fraud at the earliest opportunity
- tackling those who deliberately evade their tax obligations
- making debts easier for customers to pay, but taking a firm line with those who fail to engage with us

- tackling organised crime and improving our performance in targeting alcohol and tobacco fraud.

### Identifying and tackling fraud at the earliest opportunity

We are already using cutting-edge technology to handle data more effectively and to identify the highest risk cases more quickly. We will train additional risk analysts to use these tools to identify cases of tax non-compliance, so we can decide upon the most appropriate course of action. There will be fewer places to hide from us.

We will increase productivity and make dealing with us simpler for customers by introducing a streamlined, single compliance process. We will grow the capacity and capability of our compliance centres, enabling us to deal with more simple errors by phone. By 'industrialising' our approach to the lower ends of non-compliance, we will increase our coverage and allow our most skilled compliance staff to target deliberate rule-breakers. Compliance centre staff will be given fraud awareness training to help them identify rule-breakers and refer them for further investigation.

We will run four national campaigns each year to 2014-15, each with a customer base of around 200,000, to provide opportunities for people to voluntarily put their tax affairs in order and become compliant. For those who choose to remain non-compliant, we will follow up with a range of actions, including prosecutions where necessary.

### Tackling those who deliberately evade their tax obligations

We will continue to take a robust approach to those who try to evade their obligations. Taskforces are a

new approach to tackling high-risk rule-breaker populations in specific locations or sectors, combining both civil and criminal sanctions. Following twelve taskforces in 2011-12, we will launch a further 20 to 30 each year from 2012-13. We will work closely with trade associations and the accountancy profession in publicising each project in the external media, to maximise the deterrent effect.

We will impose behaviour-based penalties to tackle non-compliance. Those who deliberately conceal their tax liabilities or fail to cooperate with investigations will be subject to higher penalties than those who come forward voluntarily.

We will increase the number of criminal investigations to prosecute 1,000 more rule breakers each year from 2014-15. We will publicise our successes to deter those who are thinking about, or actually, breaking the rules. We will also make it harder to evade tax again in the future by subjecting known rule-breakers to increased scrutiny through managing deliberate defaulters. Those caught may be publicly named.

### Making debts easier for customers to pay, but taking a firm line with those who fail to engage with us

We will make increasingly efficient use of our debt management resources, based on our improving understanding of customers' behaviour and risk. We will continue to take fast, firm and effective action against those who fail to engage with us, and seek to ensure debts are repaid by using the flexibility afforded to us by our debt collection agency partners and our ability to recover debts through PAYE coding. We will prepare for RTI and partner the Cabinet Office in improving debt management activities across central government.

### Tackling organised crime and improving our performance in targeting alcohol and tobacco fraud

Criminals attacking UK revenues are highly organised and disciplined and are also becoming increasingly sophisticated in their methods. We are seeing greater use of cyber techniques to steal money that should be funding UK public services.

We will disrupt organised criminal activity by fraud-proofing our legislation and processes. We will continue to design them so they are able to resist exploitation by fraudsters, while still being accessible and easy to use for the majority of honest taxpayers. We will redesign the VAT registration process, improving its ability to identify bogus registrations and introduce a range of additional registration checks across tax regimes. We will also introduce a new system with DVLA to ensure VAT is always paid on the importation of new cars.

We will reduce criminal profits by disrupting supply chains and fraudulent cash flows, as well as using civil and criminal investigations to directly impact those engaged in criminal activity. We will use all means at our disposal to recover assets and profits earned from criminal activity.

We will continue to target the end-to-end supply chain for tobacco smuggling by expanding our presence overseas to intercept and seize illicit tobacco aimed at the UK market and working with UKBA to tackle smuggling at the border. We will also increase our resources to tackle those involved in VAT Missing Trader Intra-Community (MTIC) fraud. We will create a dedicated cyber crime team to tackle the cyber threat and enhance our response to cross-tax repayment fraud. We will also make greater use of tough civil powers, including insolvency and Proceeds of Crime Act legislation against alcohol fraudsters, as well as pursuing criminal investigations.

We will work with the Home Office and other law enforcement agencies to improve the coordination and impact of our operations against organised criminal groups, and contribute to the development of the national organised crime map. We will address mutual risks such as cyber crime, identity theft, money laundering and the tracking and confiscation of criminal assets and support the development of the National Crime Agency. Within HMRC, we will learn from experience how to deploy our resources against organised crime in a more flexible and highly-targeted manner.



Tax evasion and organised crime

We will continue to take a robust approach against those who try to evade their obligations



# What we're going to deliver

## Improving the customer experience

Reduce the number of times a customer will need to contact us by improving our postal services, designing out errors and improving call handling

Provide cost-effective PAYE and VAT systems

Improve our understanding of customers to reduce their costs



**For individual tax customers:** each year, through PAYE and Self Assessment, we deal with more than 45 million individual customers across the UK and beyond.

The implementation of new technology adversely affected our service to customers in 2010. We are making real progress in restoring standards in contact centres and handling customer post, but we know we have a lot more to do. We will continue to clear the backlog of PAYE legacy work and sustain this activity through strong governance of the National Insurance and PAYE Service (NPS).

### What we are going to do

1. Stabilise the PAYE system for all our customers, clearing all outstanding legacy cases and getting work up to date
2. Enable ‘willing and able’ customers to increasingly handle their own affairs by improving quality and redesigning processes
3. Improve the proportion of customers surveyed who rate their experience of dealing with us as straightforward from 69.8 per cent to 74.4 per cent
4. Increase voluntary compliance among high net worth individuals and those with very complex tax affairs by ensuring they have an accurate picture of their overall tax affairs and a clear point of contact
5. Target ‘potential rule-breakers’ and ‘rule-breakers’ so they understand their behaviour must be compliant
6. Work with employers, agents and intermediaries to provide good quality data for PAYE.

### How we are going to do it

1. Stabilise the PAYE system for all our customers, clearing all outstanding legacy cases and getting work up to date

All our customers will benefit from the effects of recovering and stabilising PAYE. We are committed to clearing legacy backlogs by December 2012 and getting fully up to date by April 2013. We are on

track to meet these commitments. When customers contact us, we will provide a consistently good customer service, with 80 per cent of post responded to within a 15 working day target. However, our top performance challenges are to improve telephone service levels and respond quickly to customer letters. To achieve this we will make more of our staff available to take calls at peak times and reduce the number of estimated calls by 28 million over the next four years. We will achieve this by explaining things better in our letters and notices to customers and by providing alternatives, such as online and interactive voice services.

2. Enable ‘willing and able’ customers to increasingly handle their own affairs by improving quality and redesigning processes

Customers who understand their taxes and obligations and want to handle their own tax affairs will have less need to contact us as we improve quality, timeliness and accuracy. We will achieve this by working with employers to improve the data they give us and by rigorously checking the quality of automatically generated letters. Customers will find that their tax codes are accurate and repayments are made automatically following the end of the tax year. When they need information they know how to get it and it will be clear, easy to understand and consistent. We will encourage more customers to self-serve through the channels which are the most effective for HMRC and the customer, including e-channels. Customers will benefit from completion of PAYE recovery so that by the end of 2012-13, for the overwhelming majority, they will receive communications in respect only of the previous, current and next tax years.

3. Improve the proportion of customers surveyed who rate their experience of dealing with us as straightforward from 69.8 per cent to 74.4 per cent

They will have more accurate tax information at the right time, so have less need to contact us.

‘Willing and able’ customers will be directed to more appropriate channels, including online and interactive voice recognition and will have an improved experience as a result. If customers do need to call or write, they will receive an accurate and understanding response and they will not have to chase up a response. Customers will find that for major events in their lives, such as retirement, bereavement or moving jobs, there is good guidance and a simple-to-use process. We will do more for groups such as pensioners, building on the success of initiatives such as specialist helplines, to help them through particular problems such as changes to pension taxation. Some customers will always need help when any tax issue arises and they will find that they can get the right kind of help. Those who really need to see someone to get things right will receive face-to-face help.

#### **4. Increase voluntary compliance among high net worth individuals and those with very complex tax affairs by ensuring they have an accurate picture of their overall tax affairs and a clear point of contact**

Very wealthy and complex customers will understand that we have an accurate picture of their overall tax affairs and that they will have a clear point of contact. They will be comfortable that agent-managed tax affairs are compliant and not burdensome. We will do this by continuing to work with agents and accountants to improve guidance, information and processes.

#### **5. Target ‘potential rule-breakers’ and ‘rule-breakers’ so they understand their behaviour must be compliant**

We have better information than ever about financial interactions and are able to identify areas in which ‘rule-breakers’ and ‘potential rule-breakers’ may attempt to exploit windfall opportunities, such as capital gains or inheritance. We will also improve data used by our Connect enforcement system to identify assets and wealth that appear disproportionate to stated income. Increasing enquiries and prosecutions will make potential rule breakers more aware of the consequences of non-compliance. Those who still choose not to comply will attract persistent attention that will be expensive and time consuming for them. We will raise

additional tax revenue in this area through better risk assessment, especially where high risk and high income coincide. For more detailed information see the tax evasion section of the plan on page 15.

#### **6. Working with employers, agents and intermediaries to provide good quality data for PAYE**

We recognise that effective relationships with employers, agents and intermediaries are critical to the success of our plans for the future. Employers are key to the successful operation of PAYE, which relies on good quality data that they supply. We are developing new approaches with employers, including establishing a single employer office and working closely with employers on RTI preparations. We are working closely with agents groups to identify and resolve their causes of concern.

#### **How we will measure success**

Across the period we will deliver stretching financial and service targets:

- cost reductions of £209 million across the four-year Spending Review period, broadly equating to a 34 per cent reduction in Full Time Equivalent (FTE) staff
- revenue of £995 million by 2014-15, through improved voluntary compliance and more tactical solutions to tackling non-compliance
- restore customer experience to 2009-10 levels
- stabilise the PAYE service and restore service standards to target levels by April 2013, including raising contact centre performance from 70 per cent of call attempts answered to 90 per cent by 2014-15 and sustaining correspondence turnaround at 80 per cent or above in 15 working days
- completing the task of clearing backlogs of work by April 2013.

**For customers receiving benefits and payments:** we support 6.4 million families and 10.3 million children through the administration of tax credits. Child Tax Credit helps people bringing up children and Working Tax Credit helps those working on low pay, whether or not they have children. We also pay Child Benefit for 13.6 million children.

### What we are going to do

- 1. Improve customer experience levels from 74.1 per cent to 79.4 per cent between April 2011 and April 2015 while making greater efficiency savings**
- 2. Process UK tax credit and Child Benefit claims and changes in an average of 22 calendar days and international claims and changes in an average of 92 calendar days, while maintaining 92 per cent processing accuracy**
- 3. Sustain the level of tax credit error and fraud losses at no more than five per cent of finalised entitlement without deploying additional resources**
- 4. Sustain the level of tax credit debt to no more than £4 billion**
- 5. Prepare and support tax credit customers with the introduction of Universal Credit.**

### How we are going to do it

- 1. Improve customer experience levels from 74.1 per cent to 79.4 per cent between April 2011 and April 2015 while making greater efficiency savings**

We know that our customers care about getting the money they are entitled to on time and having clear and straightforward help when they need it. We will continuously improve our services to help customers get their claim right first time.

Working closely with contact centres, we will continue to reduce the need for customers to contact us unnecessarily so that they get a better service if they do need to call us. From 2014, we will also use Real Time Information PAYE data to auto-renew up to 2.7 million claims, reducing the number of replies required from our customers.

For those customers who do contact us, we will look to learn from their experiences. This includes learning from our customer complaints and appeals to reduce the number of complaints, disputes and appeals we receive and improve our processes and service.

For those customers who are more able, we will increase our use of online forms where it will make it easier and quicker for the customer to pass information to us without increasing the risk of fraud. In preparation for Universal Credit's online approach, we will look at how customers can report change of circumstances electronically and increase our signposting to the web as a source of information.

For customers who need help, we will do more to understand their needs and tailor our services to make their experience of claiming tax credits as straightforward as possible. We will provide assistance to organisations that help our customers such as Citizens Advice, the Child Poverty Action Group and the Low Incomes Tax Reform Group, by consulting regularly and working with them. We will encourage customers to approach trusted intermediaries and, if the customer wishes, allow the intermediary to act for them without the submission of written authority in advance.

We will proactively manage the implementation of proposed legislation with regard to Child Benefit and higher-rate taxpayers, ensuring our customers are fully informed of the changes that may affect them.

- 2. Process UK tax credit and Child Benefit claims and changes in an average of 22 calendar days and international claims and changes in an average of 120 calendar days, while maintaining 92 per cent processing accuracy**

We will build on the improvements we have made to our processing times to further reduce the time it takes for customers to be paid and changes to be made. To do this, we will look at our processes to eliminate waste while using PaceSetter ways of working to improve productivity. We will use our planning and deployment strategically to ensure we have the maximum number of people on frontline operational roles and use temporary staff to manage our peak periods of work, such as renewals. We will look at the channels our customers use – paper, face-to-face or online – and simplify them to ensure our customers are using the most effective and efficient channel.

### 3. Sustain the level of tax credit error and fraud losses at no more than five per cent of finalised entitlement without deploying additional resources

We will prevent, detect, correct, punish and deter rule-breakers and criminals and have clear and transparent penalty processes in place to punish rule-breakers and deter those seeking to cheat or steal from the public purse.

We will put frontline resource into helping customers get it right first time. By validating what customers tell us, we can ensure they get what they are entitled to and reduce the amount of overpayments, underpayments, fraud and debt. We will increase the number of penalties and prosecutions for fraud to punish the minority of our customers who deliberately make incorrect claims and increase the deterrent effect.

### 4. Sustain the level of tax credit debt at no more than £4 billion

We will improve the recovery of existing debts. This includes understanding our customers so we can tailor our approach to recovery, the use of debt collection agencies and improve how we pursue debts from ‘rule-breakers.’ We will also reduce the amount of new debt created by continuing to focus on getting it right first time.

### 5. Prepare and support tax credit customers with the introduction of Universal Credit

We will use our experience of tax credits to influence the design of Universal Credit. Using our

customer insight and understanding, we will help our customers prepare for and migrate to Universal Credit, while at the same time ensuring that their experience of tax credits remains good through the transition phase from 2013 to 2017. We are looking in detail at how the new system will work from a customer perspective, to see how they will interact with us and DWP to make the transition as simple as possible. By understanding our customers, we will tailor our services to help those who need it most. We know that 52 per cent of our customers always need help and we are undertaking research to understand their needs and behaviours.

### How we will measure success

Over the next three years we have set stretching targets on each of our key areas: error and fraud, debt and customer experience.

Targets	2012-13	2013-14	2014-15
Losses Prevented (£ billion)*	£1.9	£2.1	£2.3
Debt (£ billion)	£3.9	£3.8	£3.6
Customer Experience	76%	77.5%	79.4%

\*Subject to the introduction and impact of Universal Credit

**For all our business customers:** our approach to all of our business customers is to ensure they each pay their fair share to fund UK public services. We will ensure consistent outcomes in addressing risks and be even-handed in our application of the law. Our response to business is built on our detailed understanding of our customers' behaviours, the range of complexity of their affairs and the risks they pose, and we tailor our approach to identify and resource those risks most effectively.

**For small and medium-sized business customers:**

We know that small and medium-sized enterprises (SMEs) want greater certainty from us so that they feel confident enough to understand what their tax liability will be, and what they need to do to meet their obligations. There are more than 4.6 million SMEs in the UK – more than 99 per cent of all UK businesses – ranging from millions of sole traders up to companies with up to 250 employees. They contribute around 35 per cent of all HMRC tax receipts (including employer taxes) and employ around 60 per cent of the UK's private sector workforce (more than 13 million people).

Our strategic approach for SMEs is to support the majority of our customers who are willing and able to get their tax right. We want customers to find tax easier to understand, so that they become more confident in knowing what to do, when, and how to do it. We aim to make tax simpler and more straightforward, to enable our customers to deal with us more accurately and with greater certainty.

We know that most SMEs are honest and we want to support growth and avoid imposing disproportionate burdens on small businesses. However, as SMEs contribute half of the overall tax gap, we aim to maintain a level playing field amongst customers by deterring deliberate evasion and pursuing those who break the rules.

Our plans to improve the SME customer experience are set out in 'Making tax, easier, quicker and simpler for small business' which was published at Budget 2012.

**What we are going to do**

1. **Improve support for those who are 'willing and able' to get their tax right first time**
2. **Target and tailor education and support to those who need help to comply**
3. **Encourage greater care among SMEs and deter and prevent SME evasion**
4. **Level the playing field by tackling deliberate non-compliance among SMEs.**

**How we are going to do it**

1. **Improve support for those who are 'willing and able' to get their tax right first time**

Developing enhanced digital services will enable more SMEs to interact and transact with us online, improving the customer experience and cutting costs for both SMEs and HMRC. Online channels will increasingly become the default means for customers to self-serve with us and as part of expanding our programmes for online filing we will support smaller VAT-registered SMEs to meet their requirements to file online from April 2012.

Building on the successful launch of 'My New Business' on BusinessLink.gov in November 2011, this year will see the launch of a new online tax registration service allowing SMEs to register for all main taxes using a single online form, and a tax dashboard, where customers can manage a personalised view of their tax liabilities and payments. We will also work with the Government Digital Service to develop a comprehensive business

offering on the new single government domain which is planned to replace BusinessLink.gov during the coming year.

Subject to ensuring adequate protection of customers' identity and data, we aim to provide agents with greater online access to our systems, enabling a step change in the service we provide them and their clients. We also plan to improve the operation of PAYE for employers by piloting the Real Time Information (RTI) Programme from April 2012, paving the way for all employers to join the scheme by October 2013. To make things simpler and cheaper for customers, we will continue to redesign key products and processes across the main business taxes, for example, introducing automated end-to-end VAT processing, and helping businesses prepare for the introduction of the new machine games duty in February 2013. In replacing many of our paper processes, we also aim to make more use of intelligent online forms, to improve service and reduce levels of customer errors associated with manual submission of forms.

We also remain committed to providing Time To Pay arrangements for viable businesses and encourage any customer in temporary financial difficulties – which hampers their ability to pay us on time – to contact us to discuss whether their tax bill can be broken down and paid over an agreed period of time.

In supporting the Government's wider agenda for business, we aim to deliver a material and sustained improvement in the business customer experience. The Office of Tax Simplification (OTS) published their review of SME taxation issues in early 2012, including proposals for a simpler tax system for the smallest businesses and for improvements to the administration of the SME tax system. Taking account of the Government's response at Budget 2012, we will be acting upon many of the OTS recommendations as part of our programme to deliver customer experience improvements for SMEs.

Finally, in our role as a customs authority, we will be undertaking key negotiations with the EU on the union customs code to ensure that the international trade environment continues to encourage growth in the UK.

## **2. Target and tailor education and support to those who need help to comply**

We recognise that tax can be complicated and many customers will need help, particularly when getting started. We are increasingly enhancing our services to deliver better tailored education to proactively target customers at key life events across a variety of channels. These include a range of interactive online tutorials and tools, video case-studies on 'My New Business,' webinars (online seminars), the HMRC YouTube channel, outbound emails, workshops, events and telephone education aimed at a variety of SME needs and learning styles.

We continue to work with intermediary partners to provide support to SMEs in the places we know they already go to for help and are increasingly using e-learning and online channels to maximise our reach to SMEs through these relationships. We will make increasing use of social media tools, such as Twitter, to interact with customers and signpost them to available help and support. We are also developing specific educational support to help SME employers during their migration to RTI.

In total, we aim to provide 1.4 million education interventions in 2014-15 as part of plans to more than double our SME education activity over the next three years.

## **3. Encourage greater care among SMEs and deter and prevent SME evasion**

Failure by SMEs to maintain complete and accurate records often leads to customers making errors and inaccuracies in their returns. We aim to improve wider awareness of the benefits of good record keeping, and deter 'failure to take reasonable care' among SMEs, by publicising our extensive range of online record-keeping guidance and toolkits and by working with other key intermediaries, many of whom have begun to feature our products on their websites. Elsewhere, we are enhancing our compliance centre capabilities to provide greater coverage of simple errors, and continue to liaise with professional bodies to further develop and improve targeting of our programme of business record checks.



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## This year will see the launch of a new online tax registration service

This will allow SMEs to register for all main taxes using a single online form and a tax dashboard

# 1.4m

SME education interventions in 2014-15



To deter SME customers from slipping into evasion activities, we will continue to run select campaigns aimed at high-risk sectors, backed by behaviour-based penalties, which make clear that those who fail to cooperate with us will be subject to higher penalties than customers who come forward voluntarily. Greater publicity of the increase in the numbers of criminal prosecutions and civil investigations that we will be undertaking is also designed to deter more SMEs from evading.

#### **4. Level the playing field by tackling deliberate non-compliance among SMEs**

While only a small minority of SMEs evade their taxes, their actions often influence the perceptions or behaviours of others. Many of our plans to close the tax gap centre on tackling SME non-compliance and we will continue to develop a range of compliance initiatives – including taskforces, managing deliberate defaulters, and work to address businesses operating in the hidden economy – to catch more customers who deliberately choose to break the rules. Where necessary, this approach extends to tackling wilful non-payment, where we will deploy a full range of interventions to ensure debts are repaid by those customers who choose not to engage with us. Further details on how we tackle deliberate non-compliance amongst SMEs are outlined in the tax evasion section on page 15.

#### **How we will measure success**

SMEs are a significant contributor to our plans to reduce the tax gap over the Spending Review period. We continually assess how our educational and support activities are encouraging greater voluntary compliance, and track the degree to which SMEs contribute to our compliance yield objectives through to 2014-15. We will also look at ways of reducing customer-related costs, and monitor SME customer experience levels through regular customer survey results and performance measured against the Charter.

**For large business customers:** we will continue to extend and deepen our relationship management model to develop open and transparent relationships with all our large business customers. The investment in this service will help us to maximise revenues at a time when we are also managing the challenge of reducing costs and maintaining positive customer experience.

HMRC's large business customer group comprises around 10,400 businesses (those with an annual turnover greater than £30 million and/or 250 employees). Each of the top 2,000 large businesses has been assigned a customer relationship manager. The remaining businesses have recently been assigned a customer coordinator as a single point of contact. This engagement will develop transparency and allow our experts to enrich their professional and commercial understanding to ensure we manage the two main risks these customers pose – tax avoidance and the range of interpretations of the law. Our approach enables us to improve tax compliance and reduce costs, while maintaining customer experience and supporting growth. We will maintain baseline yield of around £6.3 billion and deliver additional tax gap closure of £850 million by the end of 2014-15. We will also reduce the costs of our large business work by 15 per cent by the end of 2014-15, while maintaining positive customer experience across all large businesses.

### What we are going to do

1. Improve skills and professionalism
2. Make processes quicker, more efficient and more joined up
3. Extend and deepen the relationship management model
4. Contribute to policy reform.

### How we are going to do it

#### 1. Improve skills and professionalism

We will deliver a comprehensive large business tax professional skills programme between 2012

and 2015. This will include formal training for our customer relationship managers, customer coordinators and specialists, as well as transferring skills and expertise between existing staff, external secondees and temporary recruits. The programme complements and builds upon our existing high levels of tax professionalism. It will ensure that our people are equipped with the skills and knowledge required to engage constructively with our large business customers and provide quicker resolution on complex technical matters. Investing in the skills of our staff will also mean that we can more readily identify the major areas of risk (particularly around VAT and employer compliance) and therefore deploy our resources more effectively to manage these risks.

#### 2. Make processes quicker, more efficient and more joined up

All of our large business offices are using PaceSetter to strengthen leadership, engage teams and improve processes. During 2012-15 we will use PaceSetter to develop, implement, embed and sustain new ways of working, making continuous improvement the norm in order to improve customer service, reduce costs and increase yield. For example, new standard operating procedures will help our staff to progress enquiries and clear long-running legacy cases more efficiently and effectively.

We will ensure a coherent approach to managing our relationship with large business customers across HMRC. This will provide a clear strategy for workforce management which will help us to identify business priorities and ensure we can respond rapidly in a changing environment, allowing fast and flexible deployment of staff across organisational boundaries for more effective and efficient working. Identification and resourcing of priority tax risks

will be managed through the large business tactical delivery plan. We are developing and testing methods for speeding up the process of avoidance resolution across all our customers and we will apply these processes to our large business customers in a way that aligns with the large business strategy.

### **3. Extend and deepen the relationship management model**

We will make real-time working with the largest businesses the norm by 2014-15. We are widening our relationship management approach across all large businesses with the introduction of customer coordinators to around 8,500 customers who do not have a customer relationship manager. This approach will benefit us and our customers by providing earlier certainty and speedier resolution, encouraging voluntary compliance and allowing us to tackle avoidance through a strong and focused operational challenge. We will also improve openness and transparency and ensure joined up working within HMRC on large business issues. We will focus on the early identification and resolution of issues, by having discussions with large businesses to agree expectations and influence behaviours from the outset. We will also make greater use of collaborative dispute resolution techniques, as well as the project management skills and best practices developed through our successful high risk corporates and managing complex risk programme. Although our internal settlement processes are robust, public confidence in our work is important. We are therefore introducing further improvements to our governance to provide greater transparency, scrutiny and accountability.

### **4. Contribute to policy reform**

The year 2012-13 will see implementation of the first phase of an ambitious programme of corporation tax reform, including the introduction of the patent box regime, which allows companies to pay a favourable rate of tax on all profits from qualifying patents, and a new regime for controlled foreign companies (CFCs). These changes contribute to the government's vision of making the UK the most competitive tax regime in the G20 group of countries. The CFC changes, in particular, should significantly reduce the

scope for dispute between HMRC and taxpayers in this area and should enhance the competitiveness of the UK corporate tax system while protecting its tax base. We will fully support the introduction of the patent box to ensure that all those who are entitled to benefit do so, in order to promote the government's objectives of stimulating growth and innovation.

### **How we will measure success**

Through reinvestment in our people, better knowledge management and investment in skills, we will maintain baseline yield of around £6.3 billion and deliver additional tax gap closure of £850 million by the end of 2014-15. We will reduce the costs of our large business work by 15 per cent by the end of the 2014-15. We will at least maintain customer experience at its current level across all large business, while looking to improve joined up working, the cooperative relationship and the competitiveness of the UK tax administration. Our target is to close all legacy cases identified at the start of each planning year, and that are not being litigated, by that year-end. As we clear the stock of legacy cases, we will increase the number of issues that we work in real-time by the end of 2014-15.

**For tax agents and employers:** we will continue to work with the agent community to develop and deliver more responsive services that are designed in collaboration with them. Tax agents assist around three-quarters of businesses and two-thirds of Self Assessment customers with their tax affairs, so around eight million of our customers overall. Their role is key to the efficient running of the tax system and they have a major influence on customer compliance.

We will implement a new secure agent enrolment process and start to deliver the self-serve elements of the agent strategy over the next three years. We will monitor and improve agents' performance where needed through development of the agent view and consult further on agent standards.

Over half of the money we collect comes from income tax and National Insurance and employers collect most of these 'personal taxes' on behalf of their employees through the PAYE system. In the UK, there are over 1.7 million employers and pension providers, operating 2.1 million PAYE schemes covering 29.3 million employments and 10.2 million pensioners. In 2010-11, PAYE receipts amounted to £228.5 billion, compared to £1 billion operating costs for HMRC. The PAYE tax gap is £2.9 billion, which is attributed to incorrect returns.

### What we are going to do

- 1. Continue to offer education and an issue-resolution service to agents**
- 2. Build on the Working Together partnership that reaches agents at grass roots level across the country to improve communications and strengthen joint working**
- 3. Implement the agent strategy that we have already consulted on, taking the responses into account**
- 4. Continue to deliver employers' products correctly and on time and continue the move to electronic communications where this meets customer need**
- 5. Improve the effectiveness of our consultation and work with employers' representatives to design processes that meet their needs**

- 6. Develop and implement an employers' strategy that will reduce costs and improve compliance, complementing the move to Real Time Information.**

### How we are going to do it

- 1. Continue to offer education and an issue-resolution service to agents**

Our agent account managers will continue to make agents' client transactions faster and easier by resolving individual issues agents experience, while identifying any wider problems and common areas of misunderstanding these issues represent. In addition, we will deliver dedicated learning and support to help agents transact faster and more easily in their day-to-day dealings with us, saving their time and money and creating savings for us. We will continue to share information about common tax return errors and how agents can help to prevent them through the agent toolkits. We will also help agents to understand and adapt to significant changes we have to make as part of our work.

- 2. Build on the Working Together partnership that reaches agents at grass roots level across the country to improve communications and strengthen joint working**

We will work with agents to strengthen the process for prioritising issues they identify so that together we can resolve them and make improvements to services that will make the day-to-day work of agents and HMRC faster, more accurate and cheaper. Working with agents' professional bodies, we will explore whether we can use their communications

to members and technology available to us to help agents better understand how to use our processes to make further mutual savings in time and effort.

### **3. Implement the agent strategy that we have already consulted on, taking the responses into account**

We will continue to engage with internal and external stakeholders to ensure awareness of the agent strategy objectives and understand how it impacts on us and agents' business. We will work collaboratively with them to understand what information, access and services can make a difference to their experience of dealing with us, and use this customer insight and understanding to design agent services that are right for agents and for HMRC.

These will include a new, secure enrolment process, enabling us to 'know the agent' and provide tailored and better targeted communications and support services and the delivery of phased self-serve options from 2013-14. This will begin with improvements to the online agent authorisation process and enable agents to view in one place online information about their clients' tax affairs.

Recognising agents' concerns over this aspect of the strategy, we will undertake further public consultation in 2012-13 on agent standards and performance, oversight of the paid agent community and independent input into decisions on actions for those whose performance falls short.

The agent strategy programme will be supported with up-to-date customer understanding and engagement with senior stakeholders, so that it can meet agreed implementation dates and deliver benefits.

### **4. Continue to deliver employers' products correctly and on time and continue the move to electronic communications where this meets customer need**

The bulk of our products and communications will be electronic and we will research the need to retain paper versions for specific customer groups. We will deliver these correctly and on time, such as budget updates, new employer mailings, email alerts and paper stationery products for as long as any of these are necessary within the new Real Time Information processes and employer strategy.

### **5. Improve the effectiveness of our consultation and work with employers' representatives to design processes that meet their needs**

We will review the forums we currently use to consult with employers and jointly agree what works best to capture their most important issues. We will implement the agreed changes and continuously review the outcomes in order to keep improving.

### **6. Develop and implement an employers' strategy that will reduce costs and improve compliance, complementing the move to Real Time Information**

We will work with external and internal stakeholders to finalise the employer strategy and agree an implementation plan. We will enhance our insight and understanding of employers to inform and improve policy, systems, process and products thereby reducing complexity, errors and costs. We will make a case for segmentation of the employer community, accurately identifying their needs for meeting their obligations and use customer insight and understanding to shape products, processes and communication, particularly around RTI.

## **How we will measure success**

### **Agents**

We will deliver a new secure enrolment process in 2013-14 for new and existing paid agents and increase the percentage of agents' online client authorisations to 75 per cent by 2014-15. In 2012 we will launch and run an email pilot for agent communications and work with agents and software providers to improve the flow and handling of agent correspondence. Overall, we want to achieve a six per cent improvement in the agent experience by 2014-15, as measured through our customer survey. The targeted learning and support that we will provide to the agent community will contribute towards an improvement in the overall agent customer experience, enabling agents and their customers to save time and money. This work will also produce a benefit to HMRC of £35 million per year.



## Employers

Over the course of the next three years, we will aim for a five per cent increase in employers using the basic PAYE tools for filing returns and a ten per cent increase in the number of employers registering for email alerts. We also want to achieve a ten per cent reduction in customer complaints about the migration of employer PAYE stationery to self-serve from the internet. We want to co-design and test processes with employers to get full end-to-end view of impacts and usability and to increase the numbers of employers helping us do that between 2012 and 2015. We will use our forums to gauge perceptions about the increased effectiveness of our engagement.

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Our agent account managers will continue to make agents' client transactions faster and easier by resolving individual issues agents experience

**6%**

improvement in the agent experience by 2014-15

**For our people:** we will continue striving to create an environment which motivates and develops our people, strengthens our leadership and improves professionalism. We will support our people's connection to HMRC so they feel engaged and proud to work for the department and play their part in delivering their work to the highest standard.

### What we are going to do

- 1. Deliver continuous development in the professionalism of our leaders and managers, advancing their skills to effectively change and drive improved performance**
- 2. Provide our people with the skills and tools they need to perform their jobs, actively driving continuous professional development in all professions**
- 3. Identify the people and locations that we need for the future, building on a culture that supports our people and drives transformational change in order to bring our vision to life.**

### How we are going to do it

- 1. Deliver continuous development in the professionalism of our leaders and managers, advancing their skills to effectively change and drive improved performance**

We will develop a challenging leadership strategy which ensures the continued development of our leaders and managers. All our senior leaders will have stretching development plans in place and we will manage high-potential candidates at an early stage by providing them with the right developmental opportunities. This will include developing succession plans for key critical roles within the business, so that we have a strong number of skilled people to take up these posts when required.

We will work with our most talented members of the Senior Civil Service (SCS) on individually designed development plans, using a blend of development solutions, including work shadowing, secondments, executive coaching and learning opportunities.

This is to develop their potential for competing for roles at the next level and give them the required competencies to lead the organisation into the future.

We will review, develop and launch a framework for identifying new talent through initiatives such as our award-winning Spring School, designed to support potential leaders realise their personal ambitions and drive for continuous improvement. There will be a clear focus on refreshing all of our talent pools, from our graduate entry level to our SCS feeder grade programmes to an accelerated development programme for our most talented SCS. All these programmes will have a clear focus on building leadership capability by March 2012.

We will continue to conduct annual people surveys to canvass the views of our people on a range of themes such as the work itself, leadership, managing change, line management, learning and development. The results will enable us to continue to measure employee engagement and help all leaders to understand what is important to our people, how they feel and what needs to be improved. We will act on the results and ensure all leaders continue to work with their teams to make HMRC a better place to work.

We will roll out further development for HR business partners to ensure that they can proactively support directors and their senior teams in planning and delivering the workforce we need for the short, medium and longer term. This includes workforce size, location, shape and capability.

We will continue to improve the support we provide for our employees and managers in fulfilling their people management responsibilities through training and support for HR advisors, including shared services, which provide self-help guidance and online HR.



## Leadership behaviours

We have set out how we expect all our leaders to conduct themselves in the workplace so we can ensure these behaviours are contained in all performance management objectives, appraisals and personal development planning



We will supplement this with additional advice and support through our managers' advice service, helping managers to deal with complex HR issues including performance management, grievances and managing change. We also want our people to feel more confident in using our self-serve HR transactions as we increase our online capability.

We will continue to build on the work we have done to improve attendance management, taking the lessons learned to focus on performance and talent management.

We will continue to build on our constructive relationship with the unions. Work with both our departmental trade unions is underway to strengthen the process of how we use the results from our internal people survey and to progress a range of other issues, including pay, manager capability and the progress of our change agenda. These are all important to us and the unions. We will also make sure that we communicate updates on these issues to staff at the earliest opportunity.

## **2. Provide our people with the skills and tools they need to perform their jobs, actively driving continuous professional development in all professions**

We will develop a leadership framework for SCS posts and business critical posts to make sure we have the right people ready to move into key positions by the end of March 2012. We will prioritise the identification, development and provision of accelerated development opportunities for high-potential candidates by the end of July 2012.

Our newly-established Tax Academy will continue to raise professional standards among the 18,000 members of staff working across the range of taxes and duties, to ensure they have the necessary expert knowledge in dealing with our customers.

We are also working with staff in our operational delivery profession; for example, our people who work in contact centres, to develop a structure and qualifications for their career management. Currently, more than 43,500 of our people work in the operational delivery profession. In summer 2012, a new online self assessment tool will be

launched to enable staff and managers to measure and build professional capability against industry-wide standards. This will help us target professional development so we can raise the overall capability and reputation of HMRC to improve the customer experience.

Central to developing our people is making sure they have the right skills and opportunities. We have a skills strategy in place to support our professional, technical and business skills and we will develop a new learning strategy to underpin this process.

By changing the approvals process for how we invest in skills by April 2012, we can ensure better value for money and greater alignment between skills investment and business strategy. We can also address recommendations made by the National Audit Office on how we approach this issue.

Helping our people to access the right information will mean they are more informed about HR processes, reducing the need to call our HR service centre and managers' advice service. We will manage this by making sure that the advice they can access on our intranet is clear, concise and up-to-date.

## **3. Identify the people and locations that we need for the future, building on a culture that supports our people and drives transformational change in order to bring our vision to life**

This means having a detailed workforce plan in place for 2015 and a strategy for how we make further changes by 2020, to make sure we have the workforce we need. We will have 10,000 fewer full-time equivalent posts than in April 2011 by the year 2015 and we will redeploy people whose current roles are coming to an end in other essential departmental work. This will principally focus on moving staff to new compliance roles. The aim is to reduce the overall full-time equivalent number from 64,000 now to 61,000 by April 2013.

As a result, we will need less office space and we are looking to give up surplus accommodation wherever possible to make the efficiencies we need. In June 2011, we announced which offices we would close, that will take the department right through to the end of the Spending Review period in 2014-15.

Part of making sure we have the right people doing the right work is the creation of more front-line roles through our recruitment process. We will speed up managers' ability to make decisions by reducing the number of management layers in HMRC helping to clarify accountabilities and produce greater efficiencies.

A greater emphasis on HR functions joining up across government to provide a better and more efficient service means we are part of the Civil Service HR Programme. We will continue to work with them to receive expert advice and we will evaluate the benefits for our staff. This includes providing HR services across HMRC to an agreed service level and maintaining customer satisfaction levels by improving turnaround times and quality levels.

We have set out what employees can reasonably expect from us as an employer and what we can, in turn, reasonably expect from them. This is a balanced, mutually-beneficial set of commitments and expectations, agreed between us and our people to drive performance, commitment and pride in working for HMRC. We will build on this programme by ensuring that we actively promote our work and achievements and defend ourselves and our people from unfair and inaccurate media coverage where it occurs.

The proposition is part of how we are building an understanding of what motivates our people. We will identify where policies and procedures are barriers and find sensible solutions. Using this knowledge, we will provide tools and guidance to help leaders and managers understand the principles of staff engagement and how to motivate their teams and build trust in their leadership. We will actively share good practice and success stories throughout the organisation, in order to build pride among staff in our achievements.

### How we will measure success

We are putting in place tools to help us improve the capability of our leaders. All our senior leaders will regularly receive 360 degree feedback, giving the people who work with and for them the opportunity to provide feedback on their behaviour as leaders. We will evaluate both performance and

potential measured against clear evidence, including comparisons to other large organisations. We will use the data collected from these and other activities to demonstrate our increase in capability between now and 2015.

We have set out how we expect all our leaders to conduct themselves in terms of their behaviours in the workplace and we will ensure that these are contained in all performance management objectives, appraisals and personal development planning moving forward.

We will achieve a positive shift in the capability of our leaders through a range of leadership interventions such as coaching, mentoring, team and individual development activities. We will track their impact and adapt interventions accordingly so that our leaders have the right tools available to develop and grow their capability. Additional training will also be available relating to attendance management, to enable managers to feel more confident in exercising discretion and judgement when handling challenging absence cases.

Our Tax Academy will be recognised by all for its excellence. There will be clearer career options for staff as we will establish and publish opportunities for tax professional careers. We will also create a tax professional recruitment strategy and workforce plan to identify the ongoing needs of our tax professionals. New tax professional qualifications, underpinned by external accreditation from the Association of Accounting Technicians and Manchester Metropolitan University, will help to raise the capability of our 18,000 tax professionals by 2015.

The efficiencies we are required to make by 2015 means we will be operating with 10,000 fewer full-time equivalent posts – a reduction that we can achieve in the main through natural wastage. Reducing the need for accommodation means that in 2012-13 we will close 11 offices, relocating four enquiry centres and giving up space in another seven buildings. In January 2012 we also announced our decision to close a further ten offices in 2013-14 and proposals to close 17 offices in 2014-15.

By September 2012, we will have developed plans for how we will achieve this over the next three years

and outlined how we will deploy these new resources by March 2013.

HR Shared Services will seek to attain performance levels in line with the top industry standards.

Employee engagement is measured across the Civil Service using a people survey sent to all central government departments. We will use the results from these surveys to measure staff engagement, leadership, learning and development. We will also look to demonstrate a year-on-year improvement in narrowing the gap between our results and where we want them to be in relation to other government departments. As well as this annual survey, we will be conducting 'Pulse' surveys each quarter with a representative sample of our people so we can monitor our progress more regularly.

Any period of continued downsizing carries with it the risk that the representation of people from minority groups will decrease. We will respond to this challenge by seeking to maintain and, where possible, improve on the representation levels we recorded at 31 March 2011 for disabled employees (16.4 per cent), those from black, Asian and minority ethnic (BAME) backgrounds (7.6 per cent) and lesbian, gay or bisexual employees (4.6%). In doing this, we will actively support and encourage people from these under represented groups to compete effectively for promotions and challenging developmental roles.

We will also work towards the targets set for all government departments to increase representation of minority groups in the SCS and the grades immediately below this level. By 2013, we expect our SCS to comprise at least 35 per cent women, 8.6 per cent disabled, 5.1 per cent BAME employees and 4.5 per cent lesbian, gay or bisexual (LGB) employees. By 2014-15 we will look to increase each of those levels by five per cent.

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Our Tax Academy will be recognised by all for its excellence

**18,000**

tax professionals at HMRC



# Our customer-centric business strategy

Customer Segment	Objectives	Approach
Willing and able (our largest customer segment)	<ul style="list-style-type: none"> <li>• Grow segment.</li> <li>• Increase voluntary compliance (including timely payments).</li> <li>• Serve at lowest cost for HMRC and customers.</li> <li>• Improve perception of simple/even handed.</li> </ul>	<ul style="list-style-type: none"> <li>• Transactions and guidance mainly by 'e' except for complex technical queries.</li> <li>• Enable self-service by improving guidance/search engines and building interactive tools.</li> <li>• Process re-design to remove pinch points.</li> <li>• Direct to most cost-effective channels to minimise total cost to serve.</li> <li>• Outbound communication (letter/email) only for rule changes and signposting online help.</li> <li>• Time to pay for those who tell us when they get into financial difficulty.</li> </ul>
Needs help around customer life events	<ul style="list-style-type: none"> <li>• Reduce segment.</li> <li>• Move customers into willing and able.</li> <li>• Increase voluntary compliance.</li> <li>• Deter potential rule breakers.</li> <li>• Serve at lowest cost for HMRC and customers.</li> <li>• Improve perception of simple/even handed.</li> </ul>	<ul style="list-style-type: none"> <li>• Early intervention through education, info and advice.</li> <li>• Where relevant deterrence messaging to get customers on the right track.</li> <li>• Delivered through mass automated channels but personalised help for the riskiest.</li> <li>• Help only provided for life events, not permanently for any customers.</li> </ul>
Always needs help	<ul style="list-style-type: none"> <li>• Keep segment as small as possible.</li> <li>• Serve at lowest cost while meeting need.</li> <li>• Improve perception of simple/even handed.</li> </ul>	<ul style="list-style-type: none"> <li>• Personal service through mix of channels managed by cost/need balance.</li> <li>• Use intermediaries where this helps our objectives.</li> </ul>
Potential rule breakers / boundary pushers / negligent	<ul style="list-style-type: none"> <li>• Reduce segment.</li> <li>• Move customers into willing and able.</li> <li>• Increase voluntary compliance.</li> <li>• Deter rule breaking behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>• One-to-many compliance interventions and campaigns to deter potential rule breakers.</li> <li>• Incentivise contact if in payment difficulties; penalise if not in contact.</li> <li>• Outbound marketing communications publicising our successes, to deter potential rule breakers.</li> <li>• Avoidance tackled first through policy and disclosure then case working and litigation.</li> </ul>
High value / large / complex customers	<ul style="list-style-type: none"> <li>• Protect tax base and business environment.</li> <li>• Increase voluntary compliance.</li> <li>• Resource to highest risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Personalised relationship management.</li> <li>• Disclosure and transparency.</li> <li>• Real-time working to resolve issues.</li> <li>• Avoidance tackled first through policy and disclosure then case working and litigation.</li> </ul>
Rule breakers	<ul style="list-style-type: none"> <li>• Find them and get the extra tax when we do.</li> <li>• Deter repeat rule-breaking.</li> <li>• Resource to highest risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Use risk tools to target interventions under a campaign approach directed to segments.</li> <li>• Interventions maximise overall compliance impact through deterrence as well as yield.</li> <li>• Post-intervention offender management – increased consequences for those who persistently pay late and/or do not notify us.</li> </ul>
Organised criminals	<ul style="list-style-type: none"> <li>• Reduced losses to organised criminal attack.</li> </ul>	<ul style="list-style-type: none"> <li>• Use intelligence to identify threats.</li> <li>• Identify system and process changes to eliminate weaknesses.</li> <li>• Enforcement response (multi-agency where appropriate) to prosecute, recover assets and disrupt criminal activities.</li> </ul>

# At a glance: how we'll use our resources

## Our resources

Over the next three years we are continuing to refocus our resources to increase compliance yield, while reducing in size to meet our spending commitments. Between April 2011 and April 2015, we are making overall savings of 25 per cent, in line with our 2010 Spending Review settlement. This year, we will reinvest £190 million of those savings into our compliance activities to deliver additional revenues of £4 billion.

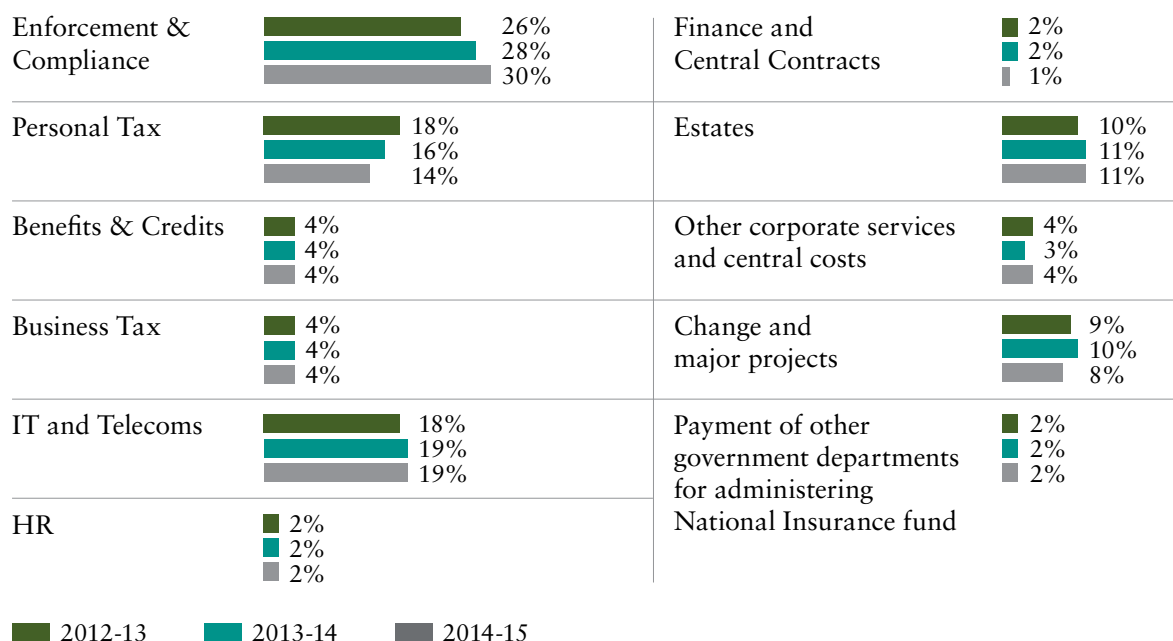
As the majority of our spending relates to paybill, a large proportion of our savings will be made through reducing the size of our workforce. We will use productivity improvements, technology and process redesign to continue reducing in size – from 93,000 permanent full-time equivalent employees in 2006 to 64,000 in April 2012 and 61,000 by April 2013.

As we do so, we will continue to reduce and reshape our office estate to match the needs of our changing department. Between 2011 and 2015, we are reducing our estate by 25 per cent, from 1.2 million to around 0.9 million square metres. This will deliver total savings of £197 million over the four years and reduce annual running costs by £72 million.

Along with the change programme, we will continue to use PaceSetter ways of working to improve performance and productivity. Alongside this, we will track and report on our performance in yield, customer service, financial savings and staff engagement. We will equip our managers with the information and techniques they need to make informed value-for-money decisions, whether it is choosing where to deploy and invest resources or simply managing demand to reduce the amount they spend on print, post and travel. We will continue to build on our strengthened financial management, ensuring budgets are spent wisely and contracts managed well, both within HMRC and across the wider civil service. We lead on the first major cross-government contract for print services – last year replacing 140 contracts with just one and saving an expected £21 million.

Our 25 per cent savings by 2015 are not being made evenly across the department. As we refocus resources to increase compliance yield, we are making a higher proportion (33 per cent) of savings in our administration spend, such as finance, HR, processing and procurement, which amounted to around £1 billion in 2011-12.

## How we will spend our resources 2012-15



# Sustainable development

**Being a sustainable and socially-responsible organisation:** sustainable development is a critical part of our work, as it influences our policy-making, customer engagement and the projects that make up our change programme.

As a socially-responsible organisation, we encourage our staff to participate in volunteering opportunities that bring us closer to our customers and to take on public roles, such as school governors and magistrates. We also support fundraising events for three national charities.

We are committed to the UK Government's Sustainable Development and Greening Government aims by taking action on its four key priorities of: cutting greenhouse gas emissions from our buildings and business travel; reducing the amount of waste we generate; cutting water usage; and ensuring sustainable procurement.

In 2010-11, we achieved the second-largest saving of carbon emissions from our estate of any government department, through cutting emissions by 13.4 per cent or 22,408 tonnes. Over the same period, we reduced our business travel emissions by 34 per cent and cut our copier paper usage by 14 per cent. We will build on this success as we work towards achieving the Government's green targets that run to 2015.

Through strategic partnerships with voluntary sector organisations, community groups and local schools, we will oversee a programme of volunteering and social action to assist our existing customers, who need a little bit of extra help, and the young people who will be our customers of the future. We will try to make it as easy as possible for our people to support our chosen charities and to donate to charities of their choice.

**We will achieve this through the following actions:**

**Accounting for Sustainability:** we will publish our first Annual Accounting for Sustainability Report in 2012.

**Charitable giving:** we will support fundraising campaigns for three national charities: the Civil Service Benevolent Fund, the Lifeboat Fund and the BBC's Children in Need appeal. For the latter, we will make provision for our contact centre staff to take telephone pledges during the appeal night.

**Cycle to work:** we will introduce a Cycle to Work scheme in 2012 to encourage healthy and sustainable commuting to work.

**Embedding sustainability:** we will ensure that sustainable development is considered at the outset in our major change programmes and in the development of our policies, with costs and benefits quantified.

**Energy monitoring:** we will improve the accuracy of information on our electricity, gas and oil usage and tackle energy management in our largest and least energy-efficient buildings.

**Environmental taxes:** we will continue to encourage individuals and businesses to reduce carbon emissions, cut waste and protect the environment by administering environmental taxes and incentives.

**Estates rationalisation:** we will continue to consider environmental issues in deciding which sites we retain.

**Green IT:** we will continue to reduce the IT element of our carbon footprint by cutting the size of our IT estate and improving the efficiency of cooling systems in our data and IT communication centres. All replacement IT equipment will have low power

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We achieved the second-largest saving of carbon emissions from our estate of any government department

**22,408**

tonnes of carbon emissions we saved in 2010-11



settings and any redundant IT equipment will be reused or recycled responsibly.

**Green volunteers:** we will use our network of 500 green volunteers to challenge all our people to behave in an environmentally-responsible way and to deliver local environmental initiatives.

**Measuring environmental impact:** we will promote the use of our waste calculator to measure the environmental impact of the services we deliver and encourage our people to use the calculator to reduce their personal carbon footprint.

**PaceSetter:** we will embed sustainable thinking into 'business as usual' process improvement, through tools and techniques that focus on reducing waste.

**Paper:** we will continue to encourage our customers to interact with us online, reducing paper usage and postage. We will use only recycled paper in our copiers and printers and educate our people to consider printing as the exception, rather than the norm.

**Payroll Giving:** we will encourage our people to donate to the charities of their choice direct from their salaries before income tax is deducted, effectively enhancing their contribution.

**Prince's Trust:** we are currently the largest provider of employee volunteers to the Prince's Trust Team Building programme for disadvantaged young adults and will continue to support this worthy cause.

**Recycling:** we will extend the availability of dry mixed recycling facilities at our offices. All our

waste paper will be recycled into new copier paper and our online 'swap shop' will ensure unwanted office supplies are reused.

**Spectacles:** we will support the Vision Aid spectacle recycling scheme, by donating 15,000 pairs of spectacles by the end of 2012.

**Sustainable procurement:** we will continue to work with our suppliers to develop our low carbon supply chain, embed the Government Buying Standards in our new contracts and improve our award-winning low-carbon fleet of vehicles.

**Sustainable travel:** we will promote our improved telephone and video-conferencing facilities and, where travel is necessary, encourage our people to do so in more sustainable ways, such as by using public transport.

**Volunteering:** we will encourage our people to take at least one day of paid volunteering leave each year as a way of bringing them closer to our customers, broadening their knowledge and skills and helping our local communities.

**Water:** we will enhance the monitoring of water consumption and encourage staff to reduce their water use.

## How we will measure success

We are embedding sustainable development into our strategic decision-making processes and monitoring actions to achieve the Greening Government targets, to ensure they are achieved in a way that supports business delivery. For example, in 2012-13 greenhouse gas emissions from a combination of energy use at our offices and business travel will be cut by a further four percent and we will continue efforts to drive down paper usage by five per cent, waste by three per cent and improve our water usage to 9m<sup>3</sup>/FTE. To provide transparency, we will update our progress on our website.

During the period 2012-15, we will give at least 15,000 days of employee time for voluntary activity to benefit our customers and our local communities. As part of this commitment, we will provide more than 100 volunteer leaders on the Prince's Trust Team Building programme in 2012-13.

We have raised more than £100,000 for Children in Need in each of the last three years and will aim to continue this trend in 2012-13. For the last four years, we have held a Gold Quality Mark from the Institute of Fundraising in recognition of the ten per cent or more of our workforce donating to charity via payroll. We will look to retain this status for a fifth year.



# London 2012 Olympic Games and Paralympic Games

**Our contribution to the London 2012 Olympic and Paralympic Games:** the London 2012 Olympic and Paralympics will directly or indirectly affect all of our customers during the summer of 2012. Our contribution is vitally important, though largely unseen.

## Our key objectives are:

- ensuring that the UK's guarantees by way of tax exemptions and reliefs are fulfilled
- administering the tax and customs control systems fairly and efficiently
- making it as easy as possible for individuals and businesses to understand their entitlements and comply with their obligations
- to deliver a proportionate response to the revenue risks associated with Games activity.

An unprecedented level of targeted guidance has been published to support our customers who are helping deliver the Games. Tax exemptions for athletes and entertainers have been introduced to fulfill our obligations to the International Olympic Committee, as these were part of the successful UK bid for London to host the Games.

Our frontline operational directorates are providing enhanced education and support to businesses who are directly involved or associated with London 2012. We are actively monitoring Games-related imports and exports and assuring the simplified temporary admissions process that has been put in place to facilitate the movement of Games-related goods at the border.

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HMRC is working closely with our customers and partners across government to deliver a safe and successful London 2012 Games

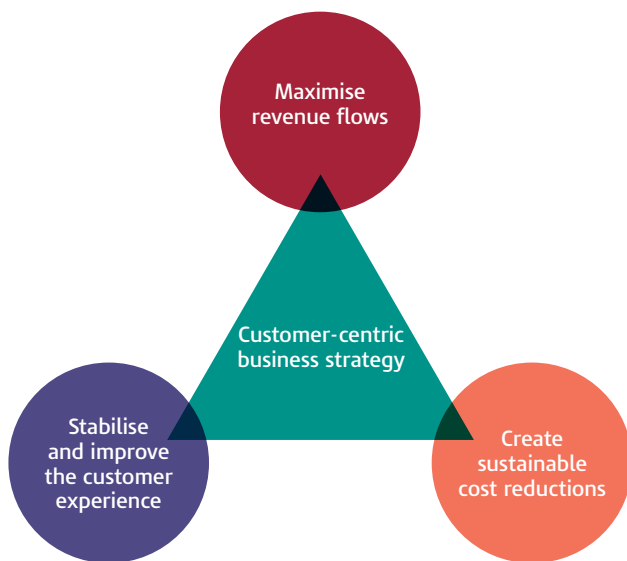
# 200

More than 200 HMRC staff working with UKBA and LOCOG on the Games



# Our objectives and performance indicators

## Customer-centric business strategy



### Maximise revenue flows

Our objective is to provide the money for public services by maximising revenue to close the tax gap and improving the extent to which individuals and businesses receive the credits and payments to which they are entitled.

#### Performance indicators

Our compliance activities from investment will bring in additional revenues on top of the work that we already undertake. By 2014-15 we will have:

- prevented tax credit losses due to error and fraud of £8 billion
- increased the number of criminal prosecutions five fold
- reinvested £917 million of our savings into additional compliance activities to bring in additional revenues rising each year to £20 billion in 2014-15.

## Improve customer experience

Our objective is to improve the customer experience and the UK business environment by reducing the costs on customers and making our products and processes more simple and straightforward.

#### Performance indicators

By March 2015, our customers can expect that:

- we will be answering 90 per cent of the telephone calls made
- if they write to us, 80 per cent will be dealt with within 15 working days
- new UK claims for benefits and credits will be dealt with on average within 22 calendar days.

By 2015, 76 per cent of our customers will find us straightforward to deal with.

## Create sustainable cost reductions

Our objective is to deliver an affordable and sustainable cost base providing value for money for the taxpayer. Over the course of the SR10 period we will have made sustainable efficiency savings of 25 per cent gross, or 15 per cent after reinvestment, by 2014-15.

#### Performance indicators

In 2012-13 we will:

- make total cost reductions of £578 million, measured against 2010-11 baselines while maintaining or improving performance on quality, lead time and work done on time. £488 million of these will arise from sustainable efficiency savings
- reinvest £190 million of those savings to maximise additional revenues
- reduce staff numbers to around 61,000 permanent FTEs.

## HMRC people

Our objective is to improve our leadership capability and create a working environment that motivates our people to give of their best and take pride in working for HMRC in order to contribute to the transformation of our business. We will improve our professionalism in dealing with customers and stakeholders, the security of our customers' information and our external impact.

## Performance indicators

Over the next three years we will:

- achieve a year-on-year improvement in narrowing the gap between HMRC's employee engagement index score and the civil service benchmark
- reduce the number of average working days lost (AWDL) in the department as a whole to 6.5 AWDL
- achieve a sustainable improvement in leadership and skills capability to meet HMRC's strategic objectives
- strengthen the tax profession across HMRC through the development of a Tax Academy
- drive down the number of incidents reportable to the Information Commissioner towards zero and to report 90 per cent of incidents within two working days in 2012-13 and 95 per cent in future years.

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## Landmark tax agreement

Dave Hartnett, HMRC Permanent Secretary for Tax and Michael Ambuehl, the Secretary of State for Switzerland, sign a landmark tax agreement in Brussels in March 2012. The agreement is expected to secure billions of pounds of unpaid tax for the UK Exchequer from 2013.



# Our senior leadership team

## The Executive Committee (ExCom)



### ExCom members and their roles

*Left to right:* Simon Bowles (Chief Finance Officer), Stephen Banyard (Acting Director General, Personal Tax), Anthony Inglese (General Counsel and Solicitor), Phil Pavitt (Chief Information Officer), Steve Lamey (Director General, Benefits and Credits), Lin Homer (Chief Executive and Permanent Secretary), Mike Eland (Director General, Enforcement & Compliance), Mike Falvey (Chief People Officer), Jim Harra (Director General, Business Tax). Dave Hartnett (Permanent Secretary for Tax) – see previous page for photo. Not present for this photo.

## HMRC Non-Executive Chairman and the Non-Executive Directors



Mike Clasper,  
Non-Executive Chairman



Colin Cobain



Philippa Hird



Phil Hodgkinson



John Spence



Ian Barlow

# Your Charter

## Our role

We make sure that the money is available to fund the UK's public services by collecting taxes and duties as laid down by Parliament. We help families and individuals with targeted financial support.

We want to give everyone we deal with a service that is even-handed, accurate and based on mutual trust and respect. We also want to make it as easy as we can for everyone to get things right.

To find out more about our Vision go to [www.hmrc.gov.uk/governance/vision.htm](http://www.hmrc.gov.uk/governance/vision.htm)

This Charter explains what you can expect from us and what we expect from you.

## Your rights

You can expect us to:

- 1 Respect you
- 2 Help and support you to get things right
- 3 Treat you as honest
- 4 Treat you even-handedly
- 5 Be professional and act with integrity
- 6 Tackle people who deliberately break the rules and challenge those who bend the rules
- 7 Protect your information and respect your privacy
- 8 Accept that someone else can represent you
- 9 Do all we can to keep the cost of dealing with us as low as possible.

## Your obligations

We expect you to:

- 1 Be honest
- 2 Respect our staff
- 3 Take care to get things right.

## More information

For more information about what we do, your rights, and where you can get help and support, please follow the links below.

To find out:

- what our latest service standards are
- how we handle information we hold about you
- what you can do if you are unhappy with our service or the way we have treated you
- what you can do if you disagree with one of our decisions.

We work closely with the Department for Work and Pensions to support you. You can find more information about this at [www.direct.gov.uk](http://www.direct.gov.uk)

# Get in touch

## Improving our publications

We are committed to making the information in our publications as clear and simple as possible. We would like your feedback on whether we've achieved this with the Business Plan 2012-15.

- Was the information in this report clear and easy to understand?
- Did we provide you with enough detail?
- Do you have any other comments you'd like to give us?

Please email us at [communications.corporate@hmrc.gsi.gov.uk](mailto:communications.corporate@hmrc.gsi.gov.uk) and tell us what you think.

Please note we cannot guarantee the security of emails you send to us or we send to you over the internet. Information sent by email over the internet is not secure and is at risk of being intercepted and read by people other than those it was intended for. Any information you send to us by email is at your own risk. If you would like us to reply by email, please confirm in your message that you understand and accept the risks involved. However, if our response to you contains any personal or confidential information we will only reply to you by letter or telephone.

