



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ
Dame Lesley Strathie
Chief Executive
HM Revenue and Customs
100 Parliament Street
London
SW1A 2BQ

2 November 2010

Dear Lesley

REMIT FOR HM REVENUE & CUSTOMS 2011-12

I am writing to set out the Remit for HM Revenue & Customs (HMRC) for 2011-12, covering the key priorities for the Department in the coming year. As the first Remit Letter to be sent under the new Government, we have made a number of changes to the format of the letter to increase its use for HMRC, the Treasury and the public.

Firstly, I am now sending the letter in the place of the Chancellor. This is due to my role as both a Treasury minister and the minister with responsibility for HMRC. My close relationship with HMRC means I am able to follow up regularly on the progress made against issues raised in this letter.

Secondly, I am sending this letter well in advance of the start of the next financial year, in order to give you sufficient time to integrate its contents into business planning.

Finally, it is my intention that the Remit Letter be fully integrated with the Government's new performance framework. It should be read alongside the business plan you have developed in conjunction with the Treasury and Number 10.

PRIORITIES FOR HMRC IN 2011-12

Raising revenue: tackling tax evasion and tax avoidance

HMRC plays a critical role in deficit reduction. The Government will continue to rely on HMRC as the administrator and collector of tax revenues that fund our public services and help reduce the deficit. This remains our highest priority for you in the coming year.



HMRC's Spending Review settlement included an allocation of £900 million over the four year period to tackle non-compliance in the tax system. You have projected that this will deliver additional tax revenues of up to £7 billion per annum by 2014-15. By January 2011 I would like to see clear implementation plans, agreed with the Treasury, for how this funding will be used to raise additional revenue and how HMRC's performance in delivering this can be measured and evaluated over the SR10 period.

In addition I would like you to focus on the following three priorities:

Cost reduction

As with other Government Departments HMRC will need to operate with reduced costs in the Spending Review period. You have agreed to make efficiency savings of 25% in real terms by 2014-15. In the coming year I would like you to focus on how HMRC will deliver a lower cost base while maintaining revenues. This will build on your customer-centric strategy and segmentation work, and must include strong governance structures and plans for how to allocate resources in line with the strategy. By the start of January 2011, I would like to see clear change delivery plans for how HMRC will live within its SR10 settlement, including detailed analysis of necessary workforce change.

Improving service for customers

HMRC is a customer-facing department. Therefore it is important that while raising revenue you also make it simple for individuals and businesses to comply with the tax system and that their experience of the tax system is positive.

Customer satisfaction in many of HMRC's services has been improving steadily in recent years. However, in the past year the issuing of incorrect coding notices and large numbers of notices for tax under and over payments has eroded public confidence in Pay as you Earn (PAYE) accuracy.

The stabilisation of the new National Insurance and PAYE Service must be achieved by 2012. This means in 2010-11 you must continue to prioritise resource to address data integrity and quality issues and the clearance of legacy open cases. In addition, you have pledged to reform the PAYE system by collecting tax and earnings information from employers more frequently. This programme is crucial to the delivery of the Government's welfare reform agenda and I want you to ensure that it has the governance and scrutiny necessary to ensure its success, working with HM Treasury and the Efficiency and Reform Group where necessary.



Building on the work the Department has already done, I would like you to make it as easy for customers to engage with HMRC online as possible, exploring options to allow customer contact through more user-friendly and cost-effective channels and making services 'digital default'.

I would also like you to work closely with policy partners in HM Treasury and alongside the Office for Tax Simplification to reduce complexity for taxpayers in complying with the tax system. You should also continue to work with other Government Departments, in particular DWP, to explore areas for joining up work to improve customer experience and reduce costs.

Reducing tax credit error and fraud and implementing changes to the benefits system

One of the key priorities for HMRC within 2011-12 and throughout the SR period will be to continue driving out Tax Credit Error & Fraud to no more than 5%. The NAO's recent report on HMRC's accounts noted that the Department appears to be making positive progress in this direction; however, they also stated that there is still significant progress which can be made in this area. While actual achievement will not be known until 2013, you will need to continue to demonstrate progress and alert Ministers to any early indications that you may not be able to reduce error and fraud to 5%. You should build on the work outlined with DWP in the recent joint document 'Tackling fraud and error in the benefit and tax credits systems' to ensure that work to reduce fraud and error in the entire welfare system is as joined up as possible.

In the Budget and the Spending Review, the Government announced a number of changes to Tax Credits and Child Benefit. The majority of policy changes need to be introduced from 2012. You will need to ensure the timely implementation of legislative changes, IT and delivery processes, including to PAYE and self-assessment of income tax, to agreed Ministerial timescales.

Delivering the Remit

The Government is not in favour of centralised target-setting for departments, and this letter does not contain centrally driven targets. However, as part of the transparency agenda set out in your business plan HMRC will publish its key performance measures online. I would encourage you to ensure that the data published is comprehensive, and includes information that will be of genuine use and interest to the public in assessing HMRC's performance.

You will be responsible to Parliament for the delivery of this Remit. I am copying this letter to the Chairs of the Committee for Public Accounts, the Treasury Select Committee and the House of Lords Economic Affairs Committee.



As a non-ministerial Department, the Board of HMRC will play a crucial role in holding you and your executive team to account for performance. In addition, I would also like to meet in six months to discuss HMRC's progress against this Remit, with the key points of this meeting made public.

A handwritten signature in black ink, appearing to read "David Gauke".

David Gauke MP