HM Revenue
& Customs

Annual Report and Accounts 2015-16

Introduction and performance

Who we are and what we do

Our objectives

Our key objectives in 2015-16, set by the government, were to

- maximise revenues
- improve the service that we give our customers
- make sustainable cost savings.

We revised these at the start of 2016-17, with HM Treasury's agreement, to reflect our rapid transformation into a smaller, more highly-skilled and digital organisation.

Our key objectives are now to:

- maximise revenues due and bear down on avoidance and evasion
- transform tax and payments for our customers
- design and deliver a professional, efficient and engaged organisation.

What we do

We are one of the UK's biggest organisations. At 31 March, we had around 58,600 full-time equivalent employees in 167 offices across the UK, collecting tax and duties from 45 million individuals and more than 5.4 million businesses, and paying tax credits to 4.4 million families and Child Benefit to 7.4 million families.

We contribute to the country's economic and social wellbeing, support growth and as a socially-responsible organisation, we monitor closely our economic, social and environmental impact.

The UK is one of the largest economies in both the EU and the world and we play our part by making it easier for business to trade.

We work closely with HM Treasury through the Policy Partnership to deliver effective tax policy which meets government objectives, working together on policy design through to implementation. We are uniquely placed to provide advice on the implementation of tax policies using our considerable expertise, knowledge and insight of our customers and their behaviour, tax compliance and tax legislation.

We also work with a number of other government departments to help deliver their objectives; for example, in collecting student loans and in enforcing the National Minimum Wage and National Living Wage.

Our achievements
in 2015-16

Total tax revenues

£536.8bn

£19.1 billion more than last year

We brought in record total tax revenues for the sixth consecutive year

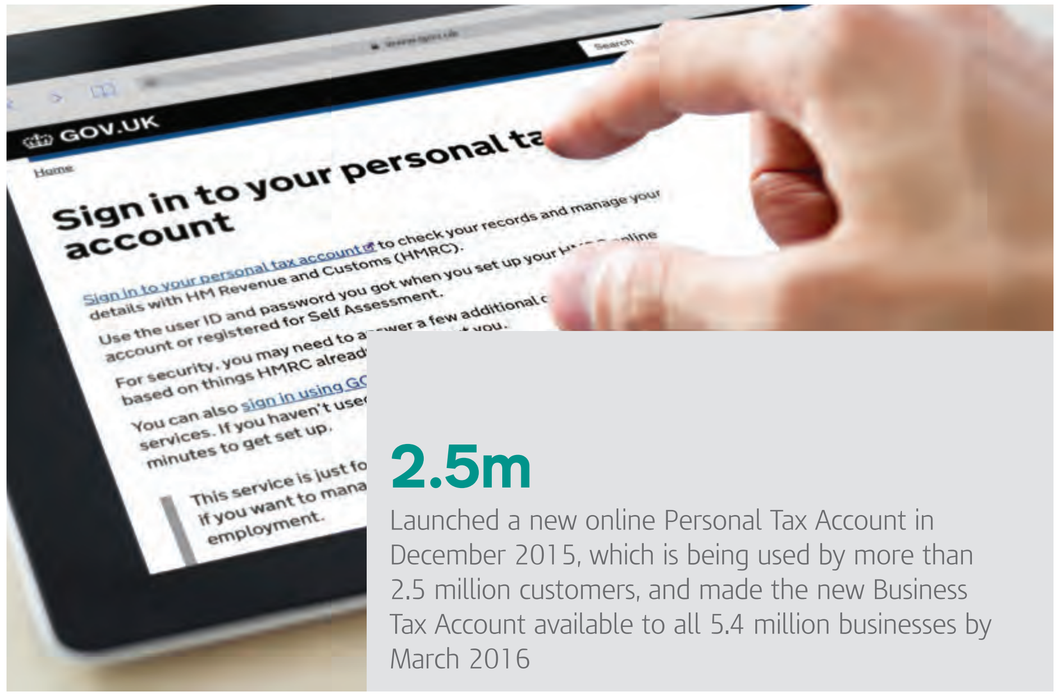
£26.6bn
compliance revenues secured – making a total of more than £110 billion since 2011-12

754,900
tax credits customers renewed online using our digital service, almost double the 2014 figure

£14.9bn
tax protected through successful litigation

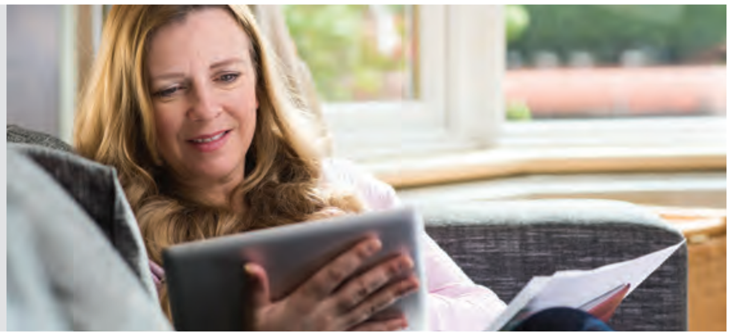
£210m
annual sustainable cost savings, exceeding the target set by the government

46,500+
staff attended 616 Building our Future events across 84 locations to discuss our transformation

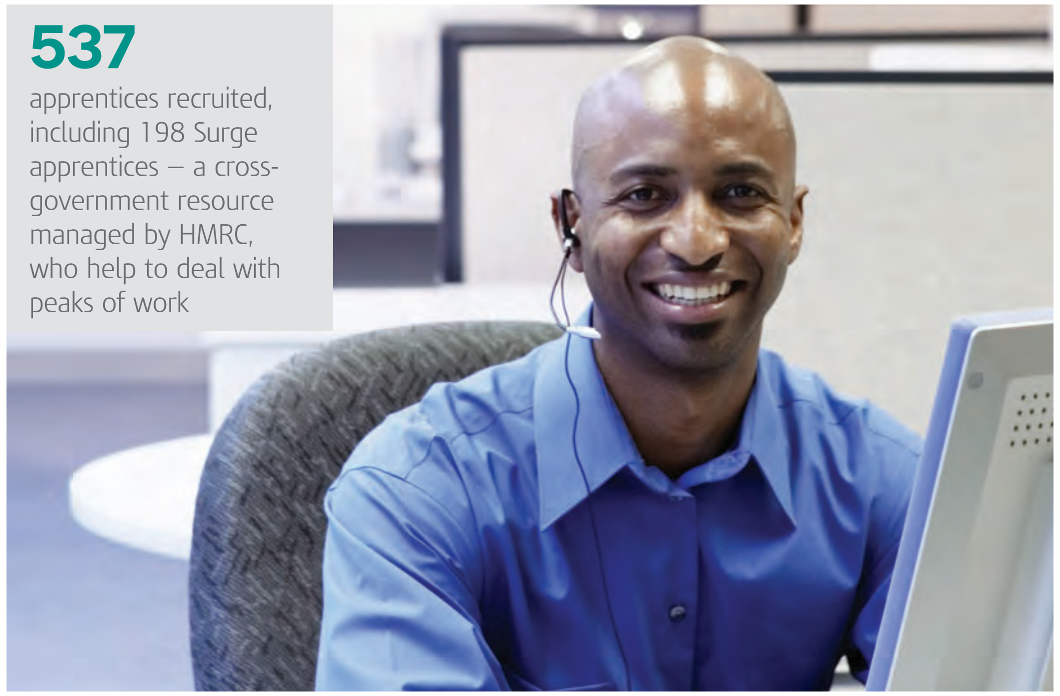


2.5m
Launched a new online Personal Tax Account in December 2015, which is being used by more than 2.5 million customers, and made the new Business Tax Account available to all 5.4 million businesses by March 2016

89%
of Self Assessment returns done online by 31 January deadline – a record



537
apprentices recruited, including 198 Surge apprentices – a cross-government resource managed by HMRC, who help to deal with peaks of work



94%
of all customs clearances for trade cleared within two hours

Introduction by the Executive Chair and Permanent Secretary

Our Annual Report and Accounts sets out how we've performed over the past financial year and explains our continued transformation to become one of the most digitally-advanced tax, payments and customs administrations in the world.

We are moving from laying the foundations for our future, to actively building that future, and it is a great privilege to be leading HMRC at a time of such unprecedented change.

As HMRC's Executive Chair, my role is to lead the Board and I have ultimate responsibility for the department's strategy, safeguarding our reputation and supporting the executive team who are responsible for the department's performance.

I am working closely with Jon Thompson who, as our new Chief Executive, is responsible for the delivery of HMRC's strategy, including our transformation programme, objectives and performance, so that we can build on the success of the past year – a year which has seen a record amount of tax receipts brought in, as well as securing £26.6 billion from our compliance work to stop tax avoidance, evasion, fraud and non-compliance.

Our ability to deliver six consecutive years of increased tax revenues led to the Chancellor's 2015 Spending Review announcement of an additional £1.3 billion investment in our transformation and confirmed the Summer Budget 2015 announcement of an additional £800 million for investment in compliance activities.

Effective, targeted action against those who do not wish to pay provides the framework against which our performance is measured, but the public rightly judge us on the quality of service we provide to the overwhelming majority of people in the UK who are honest and pay the right amount of tax on time.

At a time of intense public interest in the design and operation of the tax system, I am committed to cementing HMRC's reputation as one of the UK's premier public services and maintaining public confidence that we deal with all of our customers fairly, efficiently and impartially – from individual taxpayers to the largest multinational companies.

Clearly we have a lot to do, and we are very fortunate to have non-executives on the HMRC Board with a wealth of experience from senior positions within the public and private sector, to advise, support and challenge us. They have overseen the strategic direction of our continued transformation, and also played a pivotal role in helping appoint to some key director roles this year.

I would also like to thank the many thousands of HMRC colleagues across the country whose commitment and hard work have delivered this year's significant improvements to customer service and our record performance in collecting taxes.

With such a strong leadership team and a committed workforce, I am confident that HMRC will continue delivering its transformation efficiently and effectively over the next year and beyond.

Edward Troup
Executive Chair and
Permanent Secretary

Foreword by the Chief Executive and Permanent Secretary

I am very pleased, as HMRC's new Chief Executive, to be presenting the Annual Report and Accounts for 2015-16. My first three months have been fascinating, as I have reviewed HMRC's performance last year and looked in detail at our ambitious and fast-paced transformation.

That transformation is far-reaching, changing almost every aspect of what we do as the UK's tax, payments and customs authority. Clearly, more change is on the way following the UK's decision to leave the European Union and we will work to help make that transition as smooth as possible. Many of the changes we've been making are already well underway. For instance, we're interacting differently with customers through new digital channels, with millions of individuals and businesses now using personal and business tax accounts.

Making it easier to do business with us is fundamental to bringing in revenue, ensuring compliance and making us more effective as an organisation. So we're sweeping aside time-consuming processes rooted in paper and post and replacing them, in the vast majority of cases, with something that just takes a few clicks of a mouse or taps of a smartphone screen.

Our transformation will bring considerable benefits to customers and to the department, but we need to ensure that we don't take our eye off the day job in the process. So I am pleased to report that HMRC overwhelmingly met, and in many cases exceeded, its objectives last year.

We achieved record tax revenues for a sixth year running, including securing record revenue from our compliance activity. We worked closely with the 2,100 largest and most complex businesses in the UK to secure compliance revenue of more than £7 billion last year, and secured more than £415 million from the UK's 6,000 wealthiest individuals. We also protected almost £15 billion in revenue by taking successful legal action.

We exceeded the sustainable efficiency savings targets set for us by government and, despite unsatisfactory customer service levels at the beginning of the year, we recovered to the point where we answered 88% of customer calls and improved our average speed of answering to around six minutes by the end of the year – a performance that we have sustained since then.

Our post handling performance has taken longer to improve, but by the end of the year we were dealing with 70% of post within 15 days and we have reached 80% as we start 2016-17.

We introduced secure webchats, used by more than a quarter of a million customers during the Self Assessment deadline peak in January. We also expanded our online tax credits renewals service, with almost double the number renewing online compared to the previous year, and half of those renewing online doing so on their mobile phone or tablet.

Our performance over the past year, at a time when we really began to push forward with transformation, shows that HMRC has the capability to deliver against our in-year targets while reforming and modernising to exploit the opportunities of the future. It is a testament to the hard work and dedication of HMRC people, on whom we rely for our continued success.

It's absolutely right that I also pay tribute to Dame Lin Homer, whose leadership over the past four years helped create the foundations upon which we are building the HMRC of the future.

That future is now taking shape and I'm confident we're up to the task of becoming a truly world-class tax, payments and customs authority.

Jon Thompson
Chief Executive and
Permanent Secretary

Small business customers

There are more than five million small businesses, which employ fewer than 20 people and have an annual turnover of less than £10 million. Micro businesses employ fewer than ten people, with a turnover below £2 million.

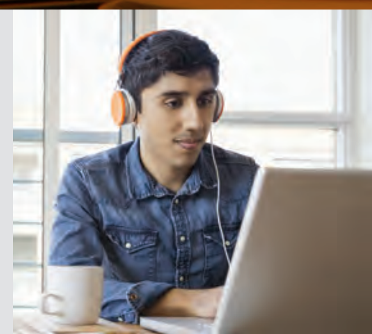
Around 70% of small businesses use an agent for some or all of their tax affairs.

The number of small businesses has grown by more than half since 2000, with a rapid rise in self-employment and online trading.

95%+
The proportion of total UK businesses that are small businesses

12m+
The number of people who work in small and micro businesses

5m+
The number of users who have access to their new Business Tax Account



To read about more customer groups see **pages 24 25.**

Performance – how we did and our plans

In summary…
We brought in record total tax revenues for the sixth consecutive year of £536.8 billion, and secured additional compliance revenues of £26.6 billion, which exceeded our target for last year. We also exceeded our sustainable cost savings targets set by ministers. In the first part of the year, service levels were substantially below our targets on both customer calls handled and post turnaround times. We responded swiftly by recruiting additional customer service staff to deliver improvements, which we then sustained throughout the year.

Reviewing our performance

We have a bold vision for the future of HMRC. Over the next few years, we will invest a further £1.3 billion to transform into one of the most digitally advanced tax administrations in the world, finishing the delivery of our multi-channel digital services so we become a digital-by-default organisation.

Maximising revenues

In 2015-16, total revenue increased by £19.1 billion, or 3.7%, to £536.8 billion.

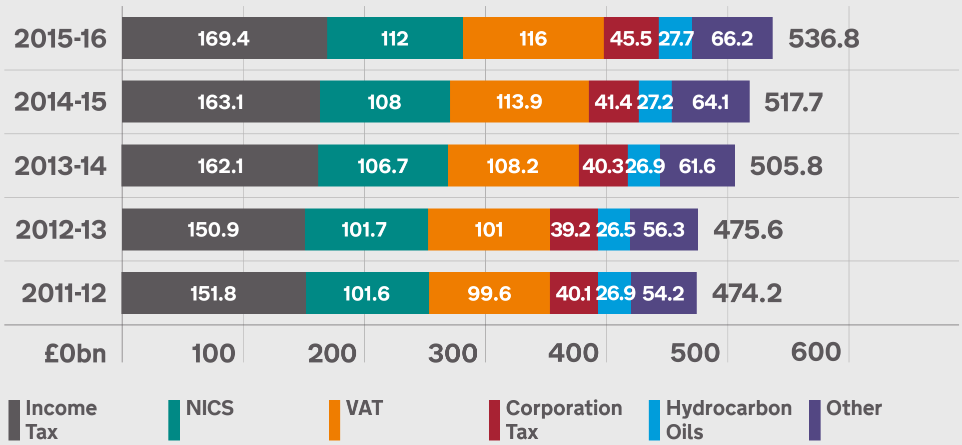
In summary, and compared to 2014-15:

- Income tax (32% of total revenue), and National Insurance Contributions (21% of total revenue) increased 3.8% due to higher levels of employment and higher wages.
- Value Added Tax (22% of total revenue) increased 1.8%, due to increases in receipts for the automotive, business services and utilities sectors. Household spending has also continued to rise.
- Corporation Tax (8% of total revenue) increased 9.9%.
- Hydrocarbon oils (5% of total revenue) increased 1.8%, due to the reduction of pump prices increasing the amounts purchased.

A number of other taxes, including stamp taxes, alcohol and tobacco duties, Capital Gains Tax, Inheritance Tax and Air Passenger Duty, accounted for the remaining 12%. There were some significant increases in: Capital Gains Tax (up £1.6 billion – 28%), Inheritance Tax (up £0.3 billion – 7.9%) and Insurance Premium Tax (up £0.8 billion – 27.6%).

These increases have been offset by decreases in some of the smaller taxes, notably Petroleum Revenue Tax, which has decreased by £0.6 billion due to the continuing fall in oil and gas prices. This has contributed to lower profits and some losses, resulting in repayments being made.

Figure 1: Revenue (£bn)



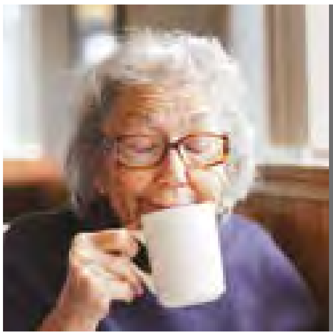
Full information about tax revenues, with year-on-year comparisons, can be found in the Trust Statement on **page 160.**

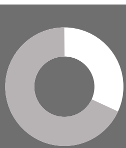
The total amount of tax revenue that we should collect is driven by the overall level of activity in the economy and the rates of taxation, allowances and reliefs set by Parliament.

The tax gap and compliance revenues

The tax gap is the difference between the amount of tax that should in theory be collected by HMRC against what is actually collected – and we publish an estimate of the tax gap each year. The UK's tax gap is one of the lowest in the world and the only one covering direct and indirect taxes that is measured and published every year.

The latest estimate, for 2013-14, shows that over the past nine years the cash tax gap has reduced from around £37 billion to around £34 billion, at a time when total revenues collected have grown substantially, from around £405 billion in 2005-06 to £506 billion in 2013-14.





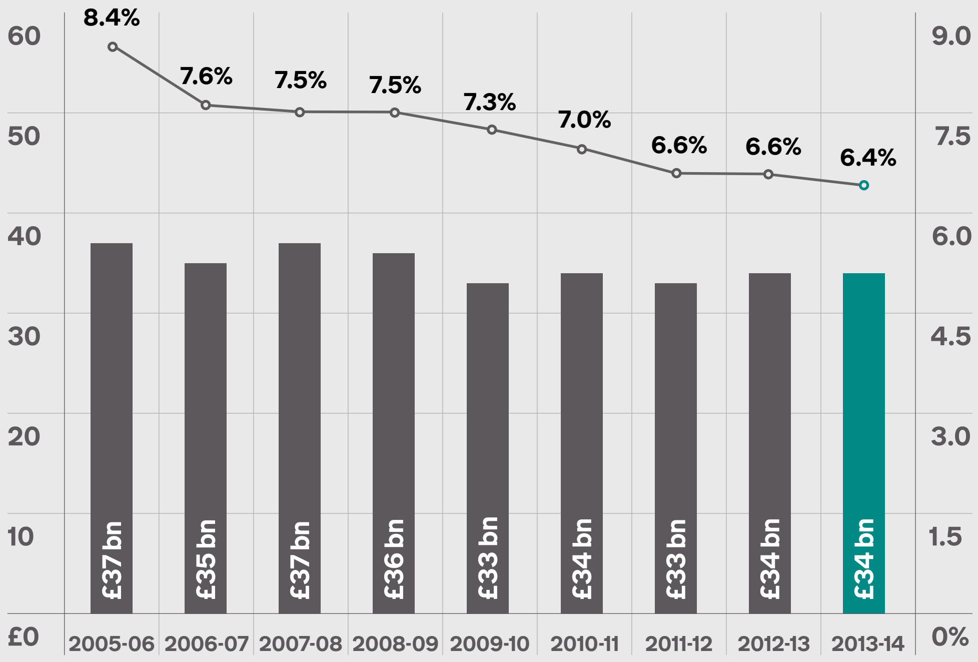
£169.4bn in income tax

equivalent to the forecast welfare payments to support children, adults and pensioners in 2015-16

However, the tax gap described as a percentage of the total tax liabilities that should in theory be collected, provides a better insight into changing compliance levels. This is because it takes into account of the effects of inflation, economic growth and changes to tax rates, as well as changes to tax compliance. Between 2005-06 and 2013-14 the tax gap reduced from 8.4% to 6.4%.

The latest estimate available is for 2013-14. Full information can be found at **www.gov.uk/government/uploads/system/uploads/attachment_data/file/470540/HMRC-measuring-tax-gaps-2015-1.pdf**.

Figure 2: Tax gap and percentage of liabilities: 2005-06 to 2013-14 (£bn)



The amount of compliance revenue we secure and the size of the tax gap are related, but the links between them are not straightforward. Compliance revenue records many aspects of compliance work, including tax recovered directly from our work, future revenue benefits and losses prevented. It can also cover more than one tax year. Different factors, such as the number of new businesses, new customers, changes in levels of voluntary compliance, economic factors, tax policy and rate changes all affect the tax gap.

Because the tax gap reflects a single year, and some compliance cases can cover multiple years, it is possible that the amount of compliance revenue we secure might increase while the percentage tax gap remains the same or reduces.

As our performance in tackling tax evasion, avoidance and non-compliance improves we should see a trend of tax gap reduction.

Over the long-term the trend is clearer. If we compare the first tax gap estimate in 2005-06 with 2013-14 there has been a corresponding decline in the tax gap from 8.4% to 6.4%.

Tax gap and compliance revenue case study

HMRC investigates Sarah's company's tax return and discovers they have under-declared their profits and should pay £2 million additional Corporation Tax for each of the previous three years. As a result, the company pays the outstanding £6 million tax bill, and interest and penalties of £1 million, which HMRC records as £7 million cash collected.

Sarah then puts in place new accounting systems to get her company's tax return right and prevent the same issue occurring in the future. This improved behaviour is expected to continue for the next two tax returns, and lead to the company paying an additional £2 million in each of these years, which HMRC records as a further £4 million of future revenue benefit (FRB).

As a result of the investigation, HMRC is able to record a total of £11 million compliance yield this year, with £6 million of the compliance yield from closing previous years' tax gaps, £4 million from preventing future tax gaps, and the £1 million interest and penalties part of compliance yield, but doesn't impact the tax gap. Therefore, while compliance yield is recorded as £11 million for the year the tax gap closure for a specific year would only be £2 million.

Compliance revenues — 2015-16 performance

While the vast majority of individuals and businesses pay what is due, we work very hard each year to make sure that those who try to cheat the system also pay what they should. We refer to the amount of revenue that we either collect or protect through our compliance activities as 'compliance revenue'.

We explain 'compliance revenue' in more detail on **page 20.**

Our compliance revenue amounts to billions of pounds that would have otherwise been lost to the UK. We have strengthened our grip on those who deliberately cheat the system through fraud, avoidance and evasion, and continue to pursue those who refuse to pay what they owe. We apply the most appropriate civil and criminal sanctions against this dishonest minority. The decision to carry out a criminal investigation is based on a number of factors, for example the nature and scale of the alleged fraud or our ability to obtain the evidence to prove the case.

During the last year we secured £26.6 billion from our compliance work, which exceeded our target for the year. As well as our on-going compliance work, our priority this year has been to increase our capacity to tackle avoidance and evasion, as well as to improve the skills and capabilities of our people. This recruitment and training has put us in a much stronger position to address the increasing challenges we face over the next few years.

How we calculate the full impact of our compliance activity is based on a well-established methodology that we have regularly refined and improved, and which is designed to capture the impacts of the wide range of compliance work we undertake.

Compliance revenue includes not only cash collected but also an estimate of the amount of revenue we prevent from being lost, together with an estimate of the impact of our current compliance interventions on future customer behaviour. Compliance revenue also captures the continued impact of the Accelerated Payments regime, which requires up-front payment from users of certain tax avoidance schemes.

Full information about the Accelerated Payments regime can be found at: **www.gov.uk/government/uploads/system/uploads/attachment_data/file/465787/151005_CC-FS24_10_15_PDF.pdf**

Cash collected is the amount of additional revenues due when we identify past non-compliance, reduced by a discount rate to reflect the fact that some of the amounts we identify will not be collected. We use an estimate due to the difficulties we would face in tracking all the payments made against all of our compliance interventions across the multiple IT systems we currently need to use, as well as to reflect that we know we will not collect every penny arising, due to businesses becoming insolvent, for example.

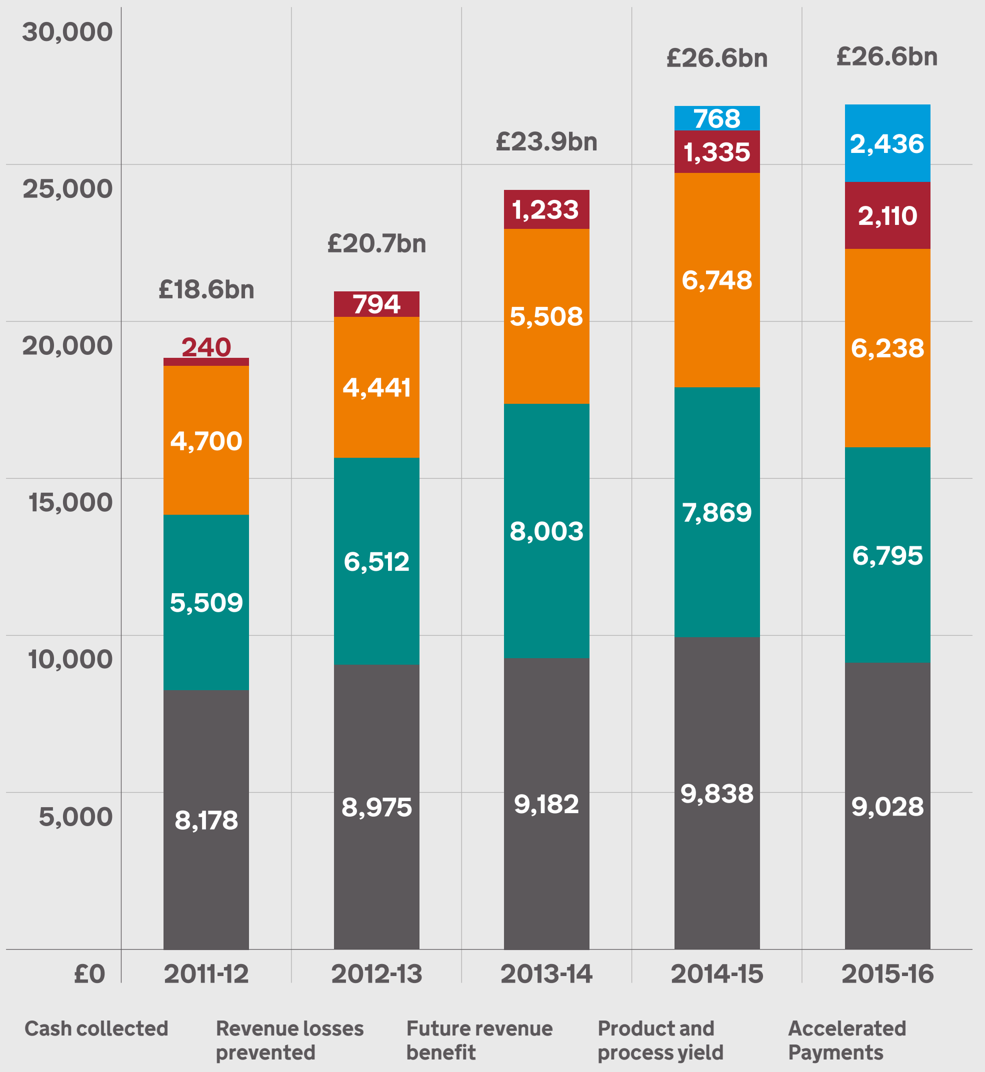
Following advice from the National Audit Office (NAO) we will change the way that we report future revenue benefit from 2016-17, so that we will report it in the year in which it has an impact on tax receipts, rather than in the year that we complete our compliance interventions.

Full information on the changes to our methodology is set out in a technical paper published alongside this report which can be found at: **www.gov.uk**

The main components of our compliance yield are:

- **£9.0 billion** of cash collected – while the amount of tax due from these cases is very clear, we cannot trace every compliance assessment through to final payment so there is an element of estimation involved in this figure.
- **£6.8 billion** of revenue loss prevented – the value of our activities where we have prevented revenue from being lost to the Exchequer that impacts on our tax receipts; for example, by stopping a fraudulent repayment claim. It also includes the impact of our compliance work to disrupt criminal activity.
- **£6.2 billion** of future revenue benefit – the effects of our compliance interventions on customers' future behaviour. Last year we reported total future revenue benefit in the year of intervention, as we did in 2011-12 to 2014-15. In 2016-17 we will be changing the methodology for reporting future revenue benefit to report it as compliance revenue in the years that it has an impact on tax receipts.
- **£2.1 billion** of product and process revenue – the estimated annual impact on the net tax receipts of changes to tax law that reduced opportunities to avoid or evade tax. While an estimate, this is subject to independent scrutiny by the Office for Budget Responsibility.
- **£2.4 billion** of revenue from Accelerated Payments notices – the disputed amounts of tax that some people using tax avoidance schemes are now required to pay up-front within 90 days, as well as the estimated behavioural change already generated by the policy.

Figure 3: Total Compliance Revenue (£m)



Full information about how we calculate revenue can be found at **www.gov.uk**

We tackle non-compliance through a wide range of targeted activities that include:

- working closely with the 2,100 largest and most complex businesses in the UK to understand and address the compliance risks they pose. At the start of the year half of these businesses were being reviewed by HMRC and during 2015-16 we secured £7.3 billion of compliance revenue from them
- securing additional compliance revenue of more than £415 million from the UK's 6,000 wealthiest individuals, as a result of work carried out by our High Net Worth Unit*, which has more than 400 specialists dealing with customers who each have a net worth of £20 million or more

- carrying out intensive bursts of activity targeted at specific sectors and locations where there is a high risk of tax evasion. During 2015-16 we launched a further 48 taskforces and secured £248 million from existing taskforces, nearly double the previous year, and bringing the total recovered since taskforces were launched in 2011 to more than £500 million
- targeting serious and complex tax crime through our Fraud Investigation Service (FIS)**. FIS prevented £5.5 billion being lost to the UK through tax avoidance and evasion through civil and criminal enforcement activity and legal action
- protecting more than £600 million in tax when the Supreme Court ruled in April that Eclipse Film Partners (No 35) LLP could not appeal against a Court of Appeal decision that it was a tax avoidance scheme
- raising more than £500 million through the FIS offshore group since it was established in April 2014. FIS now have more than 90 individuals under criminal investigation for suspected offshore evasion
- prosecuting 880 individuals, predominately for tax-related crimes – securing a collective total of 638.6 years in prison sentences
- extraditing eight people back to the UK who were wanted for revenue fraud worth an estimated £5.1 million. We continue to pursue all individuals overseas who are wanted in the UK for tax crime
- developing new legislation to toughen our approach to tackling offshore tax evasion, tackling serial tax avoiders and applying a penalty to General Anti-Abuse Rule (GAAR)*** cases.

* Full information about our High Net Worth Unit can be found at: **www.gov.uk/government/publications/issue-briefing-dealing-with-the-tax-affairs-of-wealthy-individuals/how-we-deal-with-wealthy-individuals**

** Full information about the Fraud Investigation Service can be found at: **www.gov.uk/government/publications/criminal-investigation/criminal-investigation**

*** Full information about the General Anti-Abuse Rule can be found at: **www.gov.uk/government/publications/tax-avoidance-general-anti-abuse-rules**

Compliance yield performance against targets since 2011-12

The 2010 Spending Review set targets for 2011 to 2015. In 2013 there was a further Spending Review which set a target for 2015-16. Compliance yield targets have also been increased as a result of announcements at subsequent fiscal events, such as Budgets and Autumn Statements. This table shows that we have continued to meet our targets.

Figure 4: Compliance yield performance (£bn)

	2011-12	2012-13	2013-14	2014-15	2015-16
Original baseline	13.0	13.0	13.0	13.0	13.0
Baseline adjustment to reflect new scoring rules for future revenue benefit	1.7	1.7	1.7	1.7	1.7
Baseline error adjustment[1]	1.9	1.9	1.9	1.9	1.9
Sub total — revised baseline	**16.6**	**16.6**	**16.6**	**16.6**	**16.6**
Targeted performance increment from SR10[2]	2.0	4.0	5.0	7.0	-
Extra increments from fiscal events before SR13			0.4	0.9	-
SR13 announcement of 2015-16 target					**24.5**
Extra target increments added by subsequent fiscal events				0.2	0.2
Amounts expected from Accelerated Payments				0.4	1.6
Amount of stretch added to performance expectations[3]			1.1	0.9	0.0
Target	**18.6**	**20.6**	**23.1**	**26.0**	**26.3**
Outturn	**18.6**	**20.7**	**23.9**	**26.6**	**26.6**

1 As part of the 2013-14 audit, an error was found in the calculation of the baseline which should have been £1.9 billion higher.
2 From 2015-16 onwards, the benefits from the SR10 'debt staff re-investment' are no longer being monitored and are therefore not included in the measure of compliance yield for 2015-16. DSR contributed £576 million to compliance yield in 2014-15.
3 Stretch refers to agreed increase to targets agreed with HM Treasury to reflect in-year performance.

We reported in detail in our 2013-14 Annual Report about an error we had made in the calculation of our compliance yield performance baseline. We corrected this error and it is fully reflected in our 2015-16 compliance yield target. Since 2014-15, our compliance yield targets have included the expected impact of the new Accelerated Payments legislation, and consequently our compliance yield includes the outturn performance of this policy. This means that the coverage of the compliance yield measure is wider than it was in previous years, but this change is necessary to fully reflect the increasing range of compliance activity and to report in a way that is consistent with the basis of our targets.

Large business customers

There are around 2,100 large businesses, each with an annual turnover of more than £200 million.

These include UK national businesses and multinational corporations with a UK base, and they account for around £200 billion, or 40%, of total tax receipts.

Almost half of large businesses are under enquiry at any one time to ensure that they pay the tax due.

40%

The proportion of total tax revenues accounted for by large businesses

£45bn

Additional compliance revenue secured from large businesses since 2010

2,400

The number of staff in HMRC's Large Business directorate dealing with the most complex tax issues

To read about more customer groups see **pages 32-33.**

Accelerated Payments

Accelerated Payment Notices are one of the most significant tools that we have to tackle avoidance by individuals and companies. Those who have entered tax avoidance schemes which are under investigation are now required to pay the disputed tax up-front within 90 days. During the last financial year we issued more than 36,000 notices, worth £3.1 billion in tax.

Since the start of the Accelerated Payments regime in 2014 we have issued more than 46,000 notices, worth £4.8 billion and are on course to issue more than 70,000 notices to individuals and businesses involved in avoidance schemes currently under dispute with HMRC by the end of 2016.

Full information about the Accelerated Payments regime can be found at:
www.gov.uk/government/uploads/system/uploads/attachment_data/file/465787/151005_CC-FS24_10_15_PDF.pdf

Accelerated Payments do not change the amount of tax that should be paid or affect anyone's right to pursue their dispute with us, if they feel they are legally entitled to the tax advantage claimed by the avoidance scheme. Instead, it sets out who holds the money while the dispute is resolved. Should they win their case, we will repay the tax with interest.

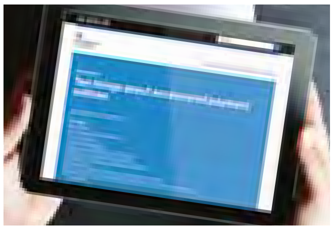
Where a customer disagrees with an Accelerated Payment Notice, they have the right to make representations to us. We have issued 46,000 notices since they started and received more than 15,000 representations. We decided more than 8,500 of these representations and 89% of the notices considered were upheld as valid, with most confirmed without any change.

Figure 5: Accelerated Payments 2015-16

Accelerated Payment Notices issued	Actual payments received by March 2016	Refunded after legal challenges	Net value
36,000	£2.1 billion	£14 million	£2.1 billion

Last year we also issued 282 'follower notices' to tax avoidance users. Follower notices urge tax avoiders to pay the disputed tax they owe after court rulings in similar cases find in our favour. We issued follower notices with a collective value of more than £200 million in 2015-16. If someone who has received a follower notice does not settle their dispute they may be liable to a penalty of up to 50% of the value of their tax and/or National Insurance Contributions in dispute. We started to issue follower notice penalties last year with a collective value of £1.4 million.

Full information about follower notices can be found at:
www.gov.uk/government/publications/follower-notices-and-accelerated-payments



£2.4bn

from users of tax avoidance schemes using Accelerated Payments powers, taking the total amount to more than £3 billion

Two judicial reviews of the Accelerated Payments regime were heard last year, with the High Court confirming that the Accelerated Payments legislation, and our delivery of it, was legal. The decisions are currently subject to appeal.

We also continued to target high-risk promoters of tax avoidance schemes in an attempt to change their behaviour.

We started issuing 'conduct notices' to promoters of tax avoidance schemes, which require them to change their behaviour or, among other things, face closer scrutiny from HMRC. We have so far issued a very small number of formal notices, as promoters have been responding positively and changing their behaviour in advance of formal action.

These initiatives are helping change behaviours around tax avoidance and we continue to win around 80% of avoidance cases that taxpayers take to court. Many more settle with us before the case reaches litigation.

More information about our litigation and settlement strategy can be found in the Tax Assurance Commissioner's Annual Report at:
www.gov.uk/government/publications/how-we-resolve-tax-disputes-2014-to-2015

The estimated compliance revenue protected by accelerated payments through making the use of avoidance schemes less attractive to existing and potential avoidance scheme users was £340 million last year.

Diverted Profits Tax

Diverted Profits Tax (DPT) strengthens UK defences against large multinational companies that abuse the international rules to shift their profits outside of the UK and avoid paying UK tax. The tax is applied to profits arising from 1 April 2015. The primary aim of DPT is to deter, and counteract, multinationals from diverting profits from the UK. DPT is set at a higher rate (25%) than Corporation Tax to encourage businesses to change their behaviour so that profits taxed in the UK fully reflect the economic activity carried on in the UK.

DPT is an important addition to the range of ways in which the UK tackles tax avoidance and contains features that strongly discourages multinationals from diverting their profits and prolonging HMRC enquiries, including:

- an obligation to tell HMRC if they may be within the scope of the tax
- a requirement to pay upfront if a charging notice is issued
- a higher tax charge than if they had not tried to divert their profits in the first place.

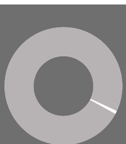
We expect that many businesses will restructure their tax affairs, and pay Corporation Tax on the full amount of profits arising on their UK activities, rather than pay the DPT itself. We are reviewing our information around the impact of DPT on 2015-16 Corporation Tax receipts, as this has not been included in our compliance yield total. We already detected increased liabilities of approximately £10 million for last year from a review of a small number of cases. We expect the full impact of DPT for the year to be greater.

More information about DPT can be found at:
www.gov.uk/government/uploads/system/uploads/attachment_data/file/480318/Diverted_Profits_Tax.pdf

Our compliance work in other areas

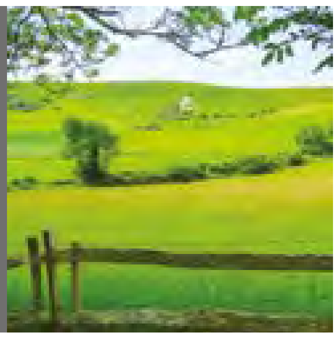
We are also involved in a wide variety of other activities in addition to traditional compliance work. Some highlights from 2015-16 include:

- investigating National Minimum Wage cases. Last year we expanded our enforcement team and the tools they had at their disposal which had a significant impact on performance, with our teams identifying pay arrears of more than £10 million for more than 58,000 workers - more than three times the amount of arrears and double the number of workers compared with the previous year
- establishing a new taskforce with the National Crime Agency (NCA) to investigate any evidence of tax evasion and money laundering in the so-called Panama Papers. The taskforce brings together expertise from HMRC, the NCA, the Financial Conduct Authority and the Serious Fraud Office
- intercepting a shipment of potential bomb making equipment, in transit from the Far East to Libya. Similar receiver modules and remote controls have been used in terrorist-led IED attacks in Mali
- combating tax evasion by US residents using foreign accounts through the US Foreign Account Tax Compliance Act (FATCA). It requires financial institutions outside the US to pass information about their American customers to the US tax authorities. We act as an intermediary for UK financial institutions reporting this information to the US and in return we receive information about UK residents. The first information exchange happened in September 2015. We will be using it to identify potential tax evasion by individuals and businesses named in the reports from the financial institutions.



£3bn in Air Passenger Duty

equal to the government's investment to safeguard England's countryside to 2020-21



Detentions and warrants

HMRC is responsible for investigating a range of criminal offences involving tax fraud by individuals and organised crime groups. This means our criminal investigators have the power to arrest anyone whom they reasonably suspect of being involved in or committing a tax-related offence.

Figure 6: Detentions and warrants

		2015-16
1	**The number of individuals kept in detention for up to 24 hours (in a police station or Border Force suite)**	
	where the detention is as a result of an arrest by HMRC	663
	where the detention is as a result of an arrest by another government agency, either at, or immediately before adoption by HMRC for criminal investigation	171
	where the detention is as a result of a voluntary attendance	257
2	**The number of individuals detained for more than 24 hours, but less than 36 hours, and subsequently released without charge (Section 42, Police and Criminal Evidence Act)**	3
3	**The number of individuals for whom warrants of further detention beyond 36 hours (Section 43, Police and Criminal Evidence Act)**	
	Authorised	0
	Refused	0
	In relation to each warrant of further detention (authorised under Section 43, Police and Criminal Evidence Act)	
	the period of further detention authorised	0
	the total period spent in detention	0
	whether the person was charged or released	0
4	**The number of intimate searches under S55 of the Police and Criminal Evidence Act carried out in relation to suspects in our cases detained in police or Border Force custody**	0

Maximising revenues over the next five years

Our Single Departmental Plan sets out what we plan to deliver on our new strategic objective: to maximise revenues due and bear down on avoidance and evasion.

Over the next five years we will achieve this objective through well-designed tax policy, a transformed compliance strategy and effective delivery through digital channels.

At the Summer Budget in 2015, the government announced an £800 million investment into additional work to tackle evasion and non-compliance, including raising an additional £5 billion a year by 2019-20.

Our plan involves:

- building on the success of £536.8 billion in total revenues during 2015-16
- transforming our approach to compliance, using our 'promote, prevent, respond' strategy to tackle non-compliance. Our aim is to:
  - **promote** compliance by designing it into systems and processes
  - **prevent** non-compliance at or near the time of filing
  - **respond** to non-compliance through well-designed delivery
- delivering additional compliance revenues through HMRC compliance and enforcement activity ('promote, prevent, respond') of £27 billion in 2016-17
- using our data more efficiently – making the wealth of data we hold work better for HMRC and our customers, so we can we can identify the root causes of non-compliance among different customer groups and deliver online services that make things easier for them and for HMRC
- stopping non-compliance before it happens – more frequent reporting will lead to fewer errors and less opportunity to evade tax obligations, while new powers to acquire information from online intermediaries and increased sanctions for offshore evasion will allow us to address tax risks more effectively
- continuing working with our partners in HM Treasury to identify policy changes which make it harder to avoid and evade tax.

Tax — the next generation

To help future customers to engage with us, we developed Tax Facts, a flexible learning resource for 14 to 17 year olds, which aims to give young people a simple overview of the tax system, to help prepare them for the financial realities of life, either as an employee or a self-employed person.

The programme is being used widely by teachers in secondary schools and by a number of charities that support young people, including The Prince's Trust. There were more than 10,000 views of the videos on YouTube and on DVD last year.

It has been awarded two quality marks for teaching resources that are of particularly high quality and educational value, and was named as the 'Best Free Educational Resource' in the 2016 Education Resources Awards.

To read about more customer groups see **pages 54 55.**

Individual customers

There are 45 million individual UK taxpayers in Pay As You Earn (PAYE) and/or Self Assessment.

The tax gap for individuals is £2.9 billion – 0.5% of the total tax due and the lowest of any of our customer groups.

2.5m

The number of people now using the new Personal Tax Account

1 in 4

The proportion of individual taxpayers with more than one job, with one in five changing jobs in the last year

6m

Approximate number of individuals who also claim tax credits. 500,000 of them are self-employed

Improving customer services

In summary…

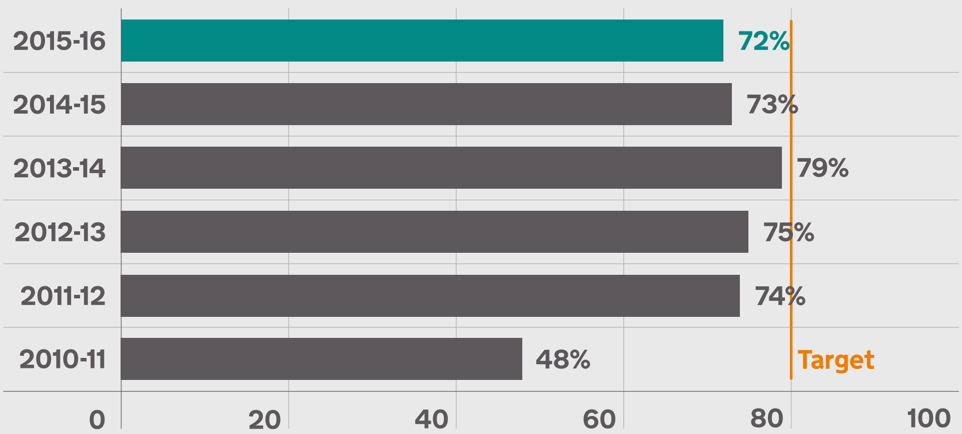
In the first part of the year service levels were substantially below our targets on both customer calls handled and post turnaround times. We responded swiftly by recruiting additional customer service staff to deliver improvements, which we then sustained throughout the year. Overall call answering levels recovered quickly and by the end of the year, we were answering 88% of call attempts. Our average speed of answering calls was also too lengthy at the start of the year, but is now around six minutes and on an improving trend. We also moved more than 900 people from across HMRC to work on post. Our post handling performance took longer to recover but by the end of the year we were handling 70% of post within 15 days and we are now building on this improvement.

We worked hard to deliver the consistent level of service that customers expect from us, and while our performance wasn't good enough in the first part of the year and, as a result, we did not meet our overall targets for calls and post, we made significant and sustained improvements during the rest of the year.

Across the year, we handled 72% of calls (against our target of 80%), handled 52% of post within 15 days (against a target of 80%) and handled 87% of post within 40 days (against our target of 95%), although we did significantly improve performance in quarters two and three and sustained that improvement across the year.

Our phone performance dropped to 48% of call attempts handled in May. We were able to deliver and maintain improvements from that point, with performance above 70% in quarter two and above the target of 80% from November onwards. Similarly, at the start of the year our average speed of answer performance fell to 18-20 minutes. However, performance improved and averaged around six minutes over the last four months.

Figure 7: Call attempts handled – yearly (%)



11,069

customers helped via our Twitter account, with only 20% needing referral to a phone adviser

Figure 8: Call attempts handled – monthly (%)

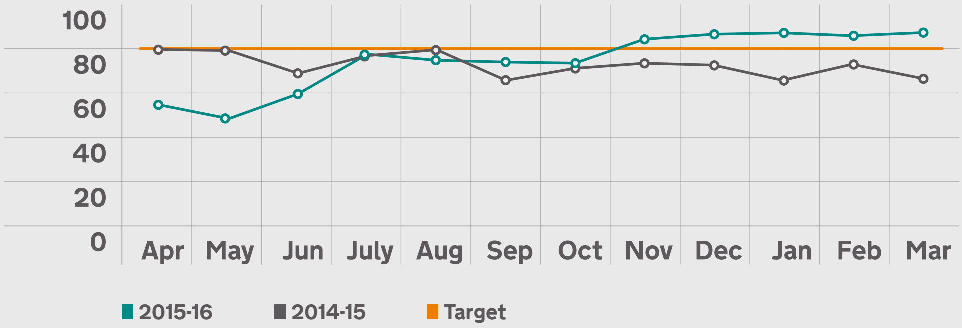


Figure 9: Average speed of answer (mins)

2015-16	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Average speed of answer (mins)	18	19	20	10	15	15	17	8	6	5	5	6

Our post performance also dropped in May, to 31% of post handled within 15 days. Again, we subsequently improved performance across the rest of the year, and by December were handling 75% of post within 15 days against the 80% target. During the early part of the year we prioritised handling calls over handling post which had a negative impact on the post turnaround times.

However, our efforts to reduce the level of post on hand did result in improved service levels. We turned around more than 95% of post within 40 days and more than 70% within 15 days during the last four months of the year.

Figure 10: Post turnaround within 15 working days – yearly (%)

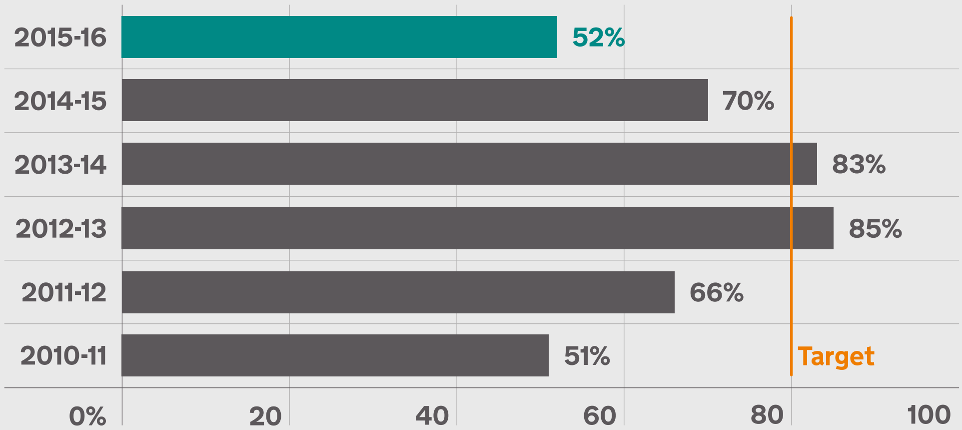


Figure 11: Post turnaround within 15 working days – monthly (%)

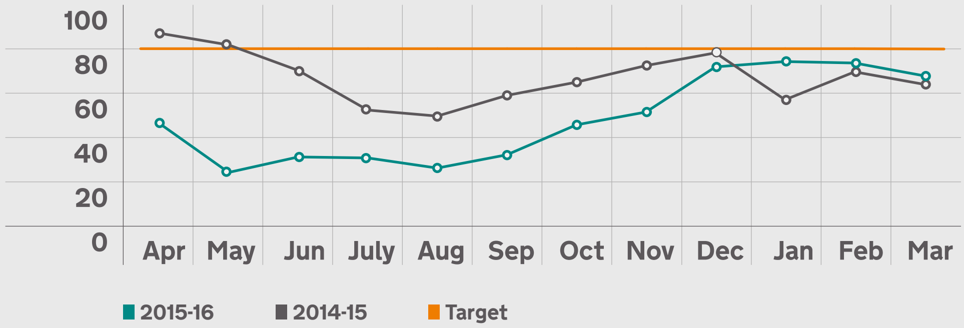
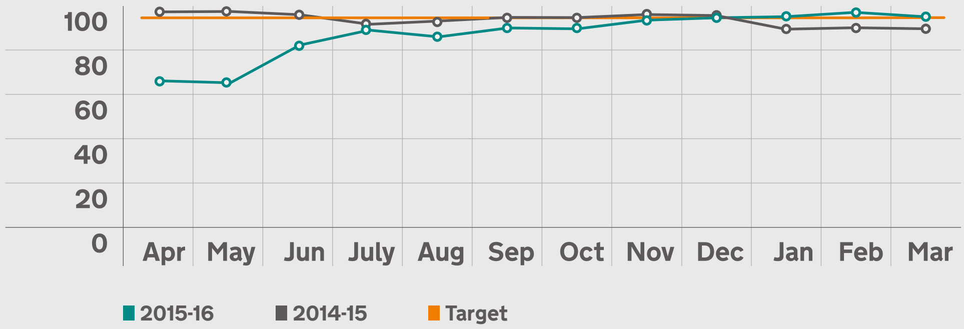


Figure 12: Post turnaround within 40 working days – monthly (%)



During the year, we also:

- maintained our performance in processing tax credits and Child Benefit claims and changes of circumstance in 17 days for UK claims and 63 days for international claims – well within our target of 22 days and 92 days respectively
- delivered yet another strong performance in dealing with our busiest periods of demand, such as the tax credits renewals deadline in July 2015 and the online Self Assessment deadline in January 2016
- had some excellent results in dealing with tax credits renewals. We received more than 2.5 million applications by the 31 July renewals deadline, including more than 750,000 through our new online renewals service. During the last week before the deadline, we received 1.2 million applications and answered 85% of calls
- achieved a marked improvement in our Self Assessment performance compared with the previous year. A total of 89% (86% in 2014-15) of the 10.39 million returns we received were submitted online. On the 31 January deadline day, we answered 98% of phone calls, compared with just 34% of calls on the same day in 2010, the last time the deadline fell on a Sunday.

100,000

enquiries handled through our Needs Extra Support service with face-to-face visits and specialist phone help

To address our poor performance in the early part of the year we also:

- recruited many of our 3,000 new staff on flexible working patterns, giving us 1,800 additional people working on telephone helplines at evenings and weekends when many of our customers choose to call
- gave 1,600 staff training to enable them to handle a wider range of customer queries and moved more than 900 people from other areas of HMRC to work on post
- Supported our most vulnerable customers by handling more than 100,000 enquiries through our Needs Extra Support service with face-to-face visits and specialist phone help.

We are committed to transforming the entire customer experience of HMRC, and have set ourselves a new strategic objective to 'transform tax and payments for our customers.' Investment of an additional £1.3 billion announced by the Chancellor at the 2015 Spending Review will transform HMRC into one of the most digitally advanced tax administrations in the world, finishing the delivery of our multi-channel digital services so we become a 'digital-by-default' organisation.

We will transform the tax system over the Parliament by introducing simple, secure and personalised digital tax accounts, removing the need for annual tax returns. This will give individuals, businesses and their authorised agents a more convenient real-time view of their tax affairs, providing them with greater certainty about the tax they owe and payments they are due to receive. These reforms will deliver the biggest transformation of the tax system in a generation, making it more effective, efficient and easier for taxpayers.

We want the customer experience to be consistently excellent by building on our progress in rolling out new digital services that will make dealing with tax and payments quicker, easier and more efficient for millions of our individual and business customers. We call this approach 'Making Tax Digital'.

This includes:

- contributing towards our objective of maximising revenues by delivering around £1 billion of additional tax revenue by 2020-21 by making it easier to pay the correct tax and reducing error
- ensuring the availability of a range of third-party software products, to include free products for the most straightforward businesses, that link securely to HMRC systems.

Our plan also involves:

- a seven-day service by April 2017, with extended hours and Sunday opening on online support services, like our popular webchats, and on our main phone lines
- improved online and telephone services, with reduced call answering times, achieved by recruiting more than 1,325 new people into our customer services teams, employed on a working pattern to deliver the extended service hours
- a new secure email service – operated through customers' online tax accounts – with a faster average response time than our current post handling target
- a dedicated phone line and online forum for start-up businesses and new self-employed people. We will be able to provide them with specialist support about filing and paying their taxes for the first time, as well as on using our digital services.

We began work on this transformation through changes we made to our customer service in 2015-16, including:

- launching our Personal Tax Account, which gives anyone the facility to see their tax and tax credits affairs in one place, similar to an online bank account. More than 2.5 million people are already using the service
- providing access to the Business Tax Account to all 5.4 million businesses, with millions already using the service to file, pay and obtain help
- expanding our online tax credits renewals service, which saw more than 750,000 people renew online in 2015 (almost double the number in 2014), with half using their mobile phone or tablet
- organising 257,000 webchats with our virtual assistant Ruth to help customers during the Self Assessment deadline peak in January
- increasing our use of webinars, webchats and online seminars for businesses to cover more of our customer demand. More than 373,000 small businesses viewed our advice and signposting videos on YouTube, and our e-learning modules had more than 142,000 customer views. We also sent more than 56 million support and advice emails
- supporting the cross-departmental Support to Growth Agenda, that resulted in more than 352,000 click-throughs to the available growth guidance for small businesses.

We know that not everyone will be able to use an online tax account, and so we will continue to offer a phone service and face-to-face support for those who need it. We will continue to up-skill our advisers so that we can resolve more complex queries in a 'once and done' way to ensure customers get their tax and payments affairs right first time.

5.4m

businesses with access to a Business Tax Account by March, with millions of businesses already using the service to file, pay and obtain help

We provided £2 million to the voluntary and community sector to provide varying levels of advice and support from signposting and generalist advice through to specialist tax advice to HMRC's most vulnerable customers, enabling them to comply with their tax obligations and claim correct entitlements.

Building on our international relationships, we are also working in partnership with the Department for International Development to provide technical advice to tax and customs administrations in a number of developing countries to help them collect the revenues they are due.

Reducing red tape for business

HMRC contributes to the government's better regulation agenda by simplifying the administration of the tax system, making it easier for customers to deal with us and reducing their costs and ours. We work closely with the Office of Tax Simplification (OTS) on their projects to deliver simplification and tackle complexity.

Full information about our work with the Office of Tax Simplification can be found at:
www.gov.uk/government/organisations/office-of-tax-simplification

Current examples include the introduction of voluntary payrolling of employee benefits and other changes which follow the OTS's recommendations and will in due course largely eliminate the need for PAYE: end-of-year expenses and benefits (P11D) returns.

Full information about how we are transforming customer service through Making Tax Digital can be found on **page 42.**

In his Spending Review 2015 the Chancellor announced a new target to reduce the annual cost to business of tax administration by £400 million by the end of this Parliament. This new target strengthens our commitment to delivering reductions in business costs, and will contribute to the government's £10 billion target for reducing business red tape.

By the end of March 2016, there was a net decrease in business customer costs of £5.6 million a year, against the same period the previous year. The net figure takes account of the fact that some government policy measures have increased burdens on businesses by £11 million, while others have made administrative savings £16.6 million.

Measures that contributed to savings included aligning the main and small corporate tax rates (£5.5 million saving), and improved online filing of company accounts (£8 million saving). We are working hard to identify measures over the next four years to support delivery of the £400 million target.

We are also scrutinised by an independent panel, the Administrative Burdens Advisory Board (ABAB) which supports small businesses by working with HMRC to challenge our performance against the new business cost reduction target. In its annual report, ABAB highlights the good progress we made in certain areas to simplify and improve tax administration – most notably in digital delivery, and urges HMRC to identify and grasp every opportunity to simplify the design and delivery of Making Tax Digital. Their online feedback channel 'Tell ABAB' has provided us with helpful insights into where small businesses would like improvements made in their dealings with us.

Full information about the Administrative Burdens Advisory Board can be found at:
www.gov.uk/government/groups/administrative-burden-advisory-board

Complaints

HMRC deals with 45 million individuals and more than 5.4 million businesses. Each year we receive 60 million phone calls and 15 million letters from Self Assessment and PAYE customers. Given the sheer size and scale of our organisation, we inevitably sometimes make mistakes or provide a level of customer service below expectations, and receive complaints from our customers.

We want our response to complaints to be among the best in government, and to ensure that we learn from feedback from customers, so that we can continuously improve our services and reduce future complaints.

During the last financial year, our continued focus on tax credits error and fraud, debt recovery and compliance more broadly, generated more contact and complaints from some customer groups. We received 80,391 complaints, compared to 74,427 in 2014-15. Despite this increase, we successfully resolved 98.5% of complaints handled by our two-tier internal complaints process.

When a customer is unhappy with the outcome of a complaint to HMRC, they can take their case to the Adjudicator, who acts as a fair and unbiased referee of complaints about HMRC and the Valuation Office Agency.

In April this year, Helen Megarry was appointed as the new Adjudicator, succeeding Judy Clements OBE after a seven-year term.

Customers who are unhappy with the Adjudicator's decision can ask their MP to refer their complaint to the Parliamentary and Health Service Ombudsman. The Ombudsman investigates complaints that individuals have been treated unfairly or have received poor service from government departments, other public organisations and the NHS in England.

Details of HMRC complaints referred to the Adjudicator and the Ombudsman in 2014-15, following Adjudicator investigation, are shown in the table below. Our 2015-16 performance will appear in their annual reports, which are due to be published later this year.

* Full information about the Adjudicator can be found at: **www.adjudicatorsoffice.gov.uk**

** Full information about the VOA can be found at: **www.gov.uk/government/organisations/valuation-office-agency**

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

Figure 13: Complaints to the Adjudicator and Parliamentary and Health Service Ombudsman

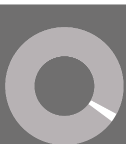
	2014-15		2013-14	
	Adjudicator	Ombudsman	Adjudicator	Ombudsman
Number of HMRC complaints accepted for investigation	1,044	125	1,087	69
Number of investigations reported on	1,808[1]	138[2]	2,311[3]	40[4]
Number of cases upheld in full	682 (37.7%)	3 (2%)	1,229 (53.2%)	6 (15%)
Number of cases upheld in part	861 (47.6%)	11 (8%)	844 (36.5%)	4 (10%)
Number of cases not upheld	232 (12.8%)	120 (87%)	173 (7.5%)	27 (67.5%)

1 For completeness, one case was reconsidered and 32 cases were withdrawn by customers. These cases represent the outstanding 1.9% of cases settled by the Adjudicator.
2 For completeness, two investigations were resolved without a finding and two investigations were discontinued. These cases represent the outstanding 3% of cases settled by the Ombudsman.
3 For completeness, 65 cases were withdrawn by customers. These cases represent the outstanding 2.8% of cases settled by the Adjudicator.
4 For completeness, three cases were resolved through intervention (without a formal investigation). These cases represent the outstanding 7.5% of cases settled by the Ombudsman.

We recognise that our performance was not good enough and that the number of complaints referred to and upheld by the Adjudicator in 2014-15 was too high and is a long way from the quality of service we want to provide for our customers.

Last year we worked closely with the Adjudicator's Office to better understand why the number of upheld complaints remained high, and how we could further improve the way we respond to complaints and learn from what our customers tell us. We built on the improvements we implemented in 2014-15, and introduced an extensive programme of work, which includes resolving more cases so that customers do not feel the need to refer to them to the Adjudicator and looking at how cases the Adjudicator upholds can be handled differently. We obviously want fewer complaints, to manage them more effectively, and for the Adjudicator to be satisfied that the cases which are referred to her have been handled appropriately.

We are also developing a facility for HMRC to receive online complaints. As an initial step, we introduced a complaints 'iForm' for personal taxpayers. We aim to introduce complaints iForms throughout our other lines of business as we test and learn from the iForm we already introduced.



£10.7bn in alcohol duties

almost the total budget for police in England and Wales

Investment, efficiency and providing value for money

In summary…
We have exceeded our 2010 Spending Review investment and efficiency commitments by continuing to drive out efficiency savings. We made £210 million sustainable cost savings last year, and have now made £1.2 billion in savings since 2010-11, exceeding the targets set by government.

We are now investing a further £1.3 billion to transform HMRC into one of the most digitally advanced tax administrations in the world. This will enable us to deliver world-class digital services, invest significantly in technology and people, make use of data to make compliance the easy option and identify non-compliance, and do this through a more flexible, highly-skilled workforce in fewer locations. This investment builds on earlier funding, and we expect to spend £1.8 billion on transformation over the next four years in total, contributing £643 million to our efficiency savings target.

In November we announced the next step in our ten-year transformation programme to create a tax authority fit for the future. We plan to bring our employees together in 13 large, modern offices, equipped with the digital infrastructure and training facilities needed to build a more highly-skilled workforce, with a greater opportunity to build their careers.

Full information about our ten-year transformation programme can be found at:
www.gov.uk/government/publications/issue-briefing-hmrc-announces-next-step-in-its-ten-year-modernisation-programme

Expenditure and providing value for money

One of our priorities is to continue to drive down the day-to-day costs of running the tax system to deliver better value for money for taxpayers and the country.

During the last financial year we received additional funding in both spring and summer budgets and the Autumn Statement to further improve customer service and increase the amount of revenue we bring in. This was on top of the additional funding announced in Autumn Statement 2013 and enabled HMRC to increase expenditure from £3.46 billion last year to £3.58 billion. This increase included £65 million on staff and £50 million on IT.

The main items that make up our administration costs are: staff (£2.3 billion or 63%), IT (£700 million or 19%), and accommodation (£300 million or 8%).

Figure 14: Main HMRC administration costs 2015-16*

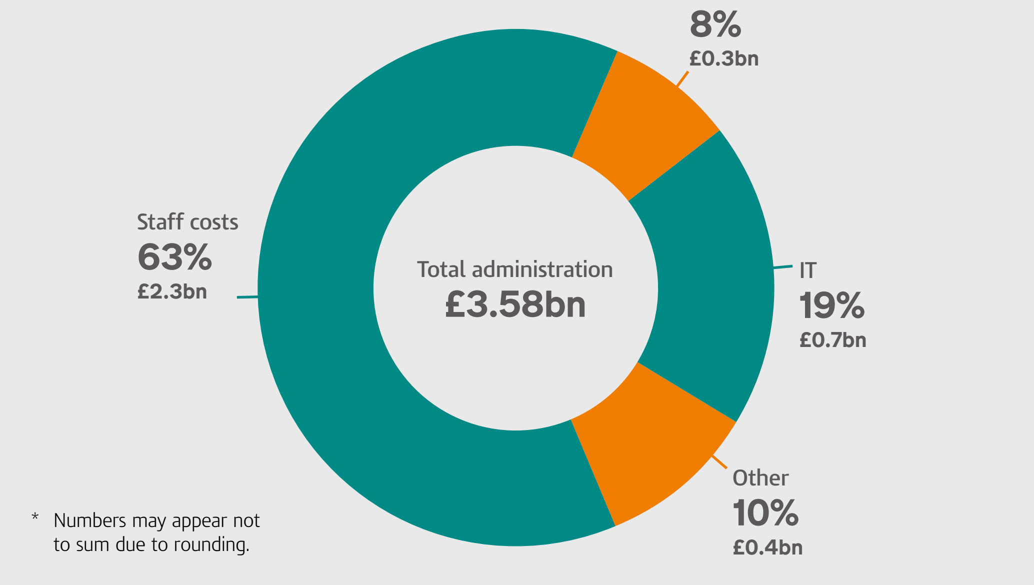
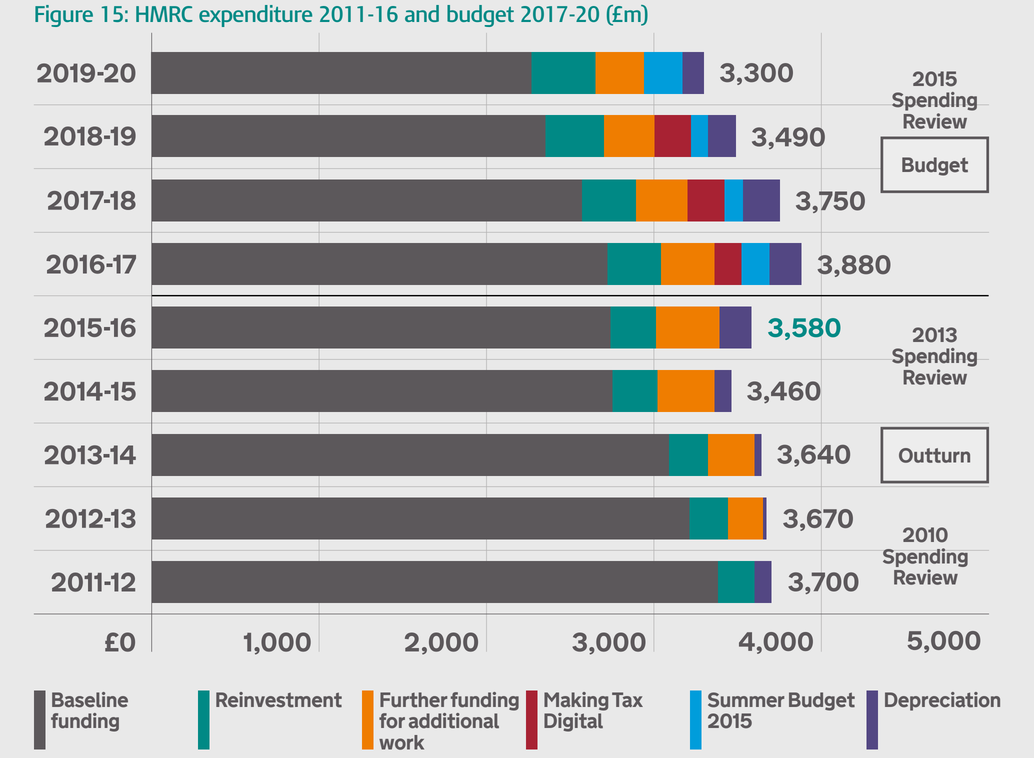


Figure 15: HMRC expenditure 2011-16 and budget 2017-20 (£m)

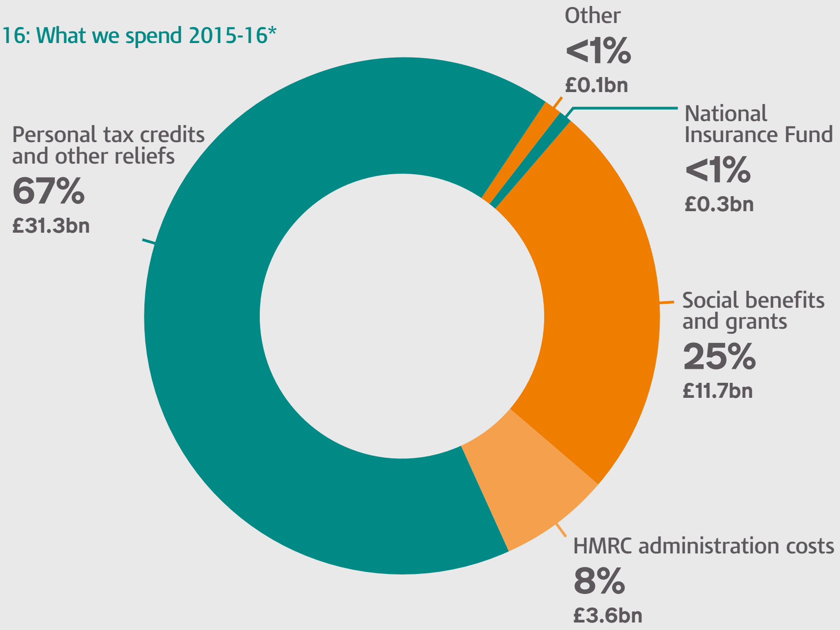


What we spend in addition to the administrative costs of running the department includes significant costs relating to the National Insurance Fund and payments to external customers, including personal tax credits* and Child Benefit**.

* Full information about personal tax credits can be found at: **www.gov.uk/topic/benefits-credits/tax-credits**

** Full information about Child Benefit can be found at: **www.gov.uk/child-benefit**

Figure 16: What we spend 2015-16*



* The chart above does not include non-budget expenditure of £9.9 billion relating to top-up payments to the National Insurance Fund, which were made by HMRC on behalf of HM Treasury.

For more detail about what we spend see the Resource Accounts on **page 192-193.**

£112bn in National Insurance

equal to the combined budgets for the Departments for Education, Defence, Home Office and International Development

Investment

Our people

Our people are vital to everything we do as an organisation. We need to have the right people in the right place, doing the right work at the right time, and we are achieving this by carefully managing our workforce. We need strong leaders to take us through change and people with the skills required to work in an increasingly flexible environment, so we continue to invest in leadership and skills.

We are investing significantly in the development of leaders and managers through our Leadership Academy. Within this, our Leading our Future programme is at the heart of developing our leadership capability and by 2021 we'll have rolled this out to all our senior leaders.

We are committed to improving our understanding of the needs of our customers and employees to enable them to give their best, feel they are treated fairly and valued for their contributions, and be able to progress their careers.

Building a stronger employer and employee relationship, while developing and maintaining effective union relationships, is a priority. We are confident that the majority of the workforce reductions we need will be made as people retire, reduce their hours or take jobs outside the department. While we have already announced a small number of unavoidable redundancies we continue to minimise these wherever possible. As businesses transform and develop regional career paths, new roles and resource requirements will be identified and evaluated.

4,500

HMRC people promoted, including 337 Administrative Assistants into more challenging and sustainable Administrative Officer positions

During 2015-16 we:

- continued our national conversation with our people to engage them with the transformation of the department, delivering 616 events to more than 46,500 staff across 84 locations
- recruited 7,700 new people, including 847 people via graduate recruitment, 537 apprentices and more than 4,500 people were promoted, ensuring we have the skills in the locations we need
- supported more than 5,400 people leaving the department through a combination of natural and managed reductions, including 472 people leaving under exit schemes
- increased our response rate to the Civil Service People Survey by 12% points across HMRC to 65% and we saw an increase in our Employee Engagement Index to a record high of 45%
- delivered tax training to more than 20,000 of our people using our Tax Academy
- successfully launched our Leadership Academy and by the end of March this had been accessed by 3,289 leaders and 58% of our senior leadership community were using the academy
- developed our people's skills and knowledge. Our staff spent an average of 7.28 days on recorded learning activities, increasing flexibility so they can move more easily between areas of work.

Our locations

When HMRC was created in April 2005, we had 97,000 full-time equivalent (FTE) staff and more than 500 offices in 300 towns and cities. At the end of 2015-16 we had more than 58,600 FTE based in 167 offices in fewer than 100 towns and cities. Yet we remain one of the biggest recruiters in government, bringing in 7,700 new people during the year and managing more than 5,400 leavers. Our recruits will deliver the tax avoidance, evasion and compliance measures announced at Summer Budget 2015, as well as providing additional staff for customer service and to replace those in other key roles who leave.

Our move to 13 large Regional Centres supports the government's commitment to locate jobs throughout the country. As a national organisation, we will maintain a significant presence in English regions, as well as Scotland, Wales and Northern Ireland.

Figure 17: Regional Centres

As we move to our new Regional Centres we'll be keeping a limited number of transitional sites to manage the impact of the changes. They will be existing HMRC offices that will enable people to continue working for the department for up to ten years. They are located in Reading, Ipswich, Portsmouth, Washington and, subject to agreement, East Kilbride.

In addition, we'll have four specialist sites for work that cannot be done elsewhere, notably where we need to work with our IT suppliers or other government agencies or departments. These sites will be in Telford, Worthing, Dover and at the Scottish Crime Campus in Gartcosh, and we will retain a smaller headquarters at 100 Parliament Street, in London.

We will also retain a series of 'stepping stone' sites that will give options to our employees whose offices close, but which will themselves close towards 2020. These are in Northampton, Exeter, Euston Tower, Luton, Maidstone, Bradford, Peterborough, Southend, Watford, Ealing, Lawress Hall in Lincoln and Londonderry.

Our IT services

We are investing a further £1.3 billion to transform HMRC into one of the most digitally-advanced tax administrations in the world, finishing the delivery of our multi-channel digital services so we become a digital-by-default organisation, while securing efficiencies in IT spend worth around 24% by 2020.

To achieve this, we are changing how we secure IT services. In 2004, we signed the Aspire contract with Capgemini to provide our technology services and IT development projects and we are proud of what has been achieved through Aspire. This contract expires in 2017, and we have agreed to the phased exit of the contract, bringing more development and delivery of IT under HMRC's direct control, while protecting the services through the transition.

As part of this, in December 2015 we decided to bring three services previously delivered by Capgemini under our direct control, as part of a new company called Revenue and Customs Digital Technology Services Ltd which is wholly owned by, and works exclusively for, HMRC. This brings us closer into line with cross-government outsourcing guidelines – which favour smaller, multiple contracts – and most importantly gives us the flexibility and control to push through our digital strategy.

The investment that we have made in modernising our services by putting them online is already paying off. We have been able to reduce the amount of post that we send out and receive by converting 500 paper forms into online iforms and by building functions into the new online tax accounts that remove the need for a form entirely.

We have also introduced digital scanning services for inbound post, which means we are dealing with customer correspondence on our computer screens within 48 hours of it being sent in – without the need for sorting, cataloguing and physically moving it around the country.

Efficiency

We continued to transform in size and shape during 2015-16 and delivered a further £210 million in sustainable cost savings, making a total of £1.2 billion of savings over the 2010 and 2013 Spending Review periods.

More information about our spending in the Resource Accounts can be found on **page 192-193.**

Included in the 2015-16 total was a further £50 million in new IT savings, delivered through changes to existing contracts and realising the benefits of the shift from paper to digital. That means we made a total of £100 million savings in IT over the past two years as we roll out more digital ways of working for our customers.

The following table shows the like-for-like reduction in HMRC costs from 2014-15 to 2015-16.

We received additional resource to tackle non-compliance in the tax system and raise additional revenue. We have re-invested many of the efficiencies delivered in 2015-16 to enable us to deliver a better service to our customers by deploying additional staff and by increased investment in IT systems.

Figure 18: Reconciliation of sustainable cost savings (£m)*

	2014-15	2015-16	Saving
Resource departmental expenditure	3,465	3,576	
Depreciation adjustment	-237	-271	
Re-investment to tackle non-compliance in the tax system	-342	-328	
Ring-fenced funding e.g. from Autumn Statement and Spending Reviews	-145	-175	
New investment in transformation and customer service		-185	
One off costs (shipbuilders relief)		-18	
Non-permanent staff outside the scope of the Spending Review	-32	-26	
Inflationary increases		-97	
	2,709	2,476	233
Less one off savings			-23
Sustainable efficiency savings			210

* Numbers may appear not to sum due to rounding.

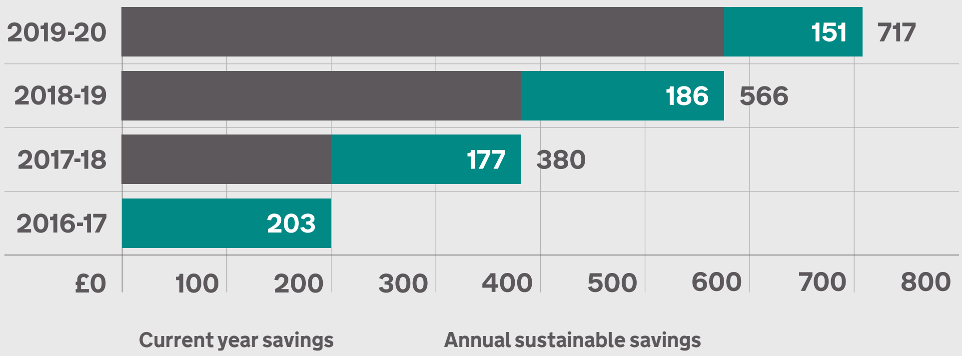
We made these savings by changing the way we work across the department, but particularly in our customer operations areas. By increasing automation, we have reduced the amount of PAYE work needed to keep people's records up to date by 5.6 million individual items. We supported more of our customers to file online and introduced new digital services, for example, the personal and business tax accounts.

We also changed our processes so customers have less need to contact us, leading to a reduction of 400,000 letters and 700,000 telephone calls. Our virtual online assistant 'Ruth' also answered 1.8 million queries about VAT, tax credits and charitable giving.

Future savings

We are committed to reducing our operating costs over the next five years. We will deliver sustainable cost savings of £203 million in 2016-17 and deliver £717 million a year of annual, sustainable efficiency savings by 2020, with a cumulative total of £1.9 billion to 2019-20. We will do this while continuing to improve our productivity and the service we provide to our customers.

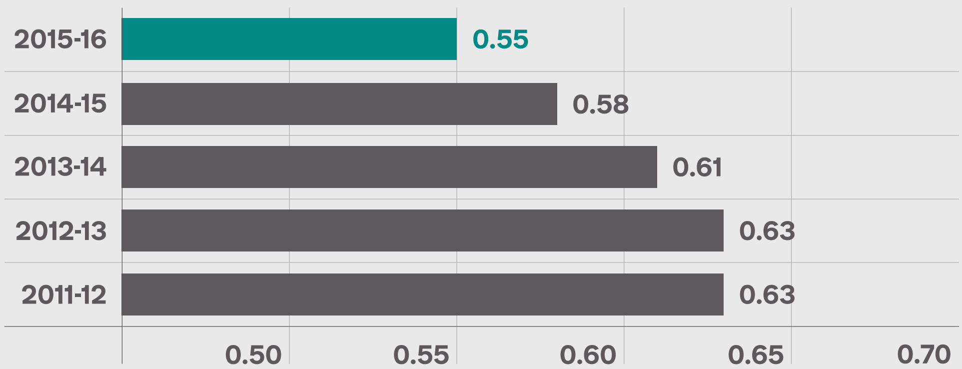
Figure 19: HMRC sustainable efficiencies (£m)



Collecting tax efficiently

Compared to the total revenues we collect, our administration costs are very low. The efficiencies we have delivered, together with increasing revenues, mean that the cost of collecting taxes in the UK dropped from 0.63 pence per pound in 2011-12 to 0.55 pence last year.

Figure 20: Overall cost of collection (pence per £ collected)



Being a sustainable organisation

The 2010-16 Greening Government Commitments have challenged us to reduce the environmental impact of our estate and operations, and we have an excellent record in meeting all the targets except one – water efficiency.

Environment targets

We made savings over and above those required for all of the targets except water efficiency. Our performance was monitored by HMRC's Performance Committee and Environment Champion and verified externally by Carbon Smart. We continue to build sustainability thinking into our policies and decision making, for example our plans to move our workforce to 13 Regional Centres, taking into account the environmental impact on our operations, sustainable construction, climate change adaptation and community engagement.

Figure 21: Environment targets

Greening Government commitment	2015 Government reduction target	Position at 31 March 2016
Greenhouse gas emissions	25%	41%
Waste	25%	62%
Water	6m³ per FTE	7.10m³ per FTE
Paper	10%	48%
Domestic flights	20%	35%

Business travel remains a necessity for us as a large operational department with a focus on frontline activity and offices spread across the UK. While our travel mileage has increased overall by 10%, we are seeing an increasing trend for travel alternatives, with more than 345,000 audio conferences taking place during the year. We also took 2,000 fewer domestic flights and road travel emissions dropped by 6%.

To reduce the carbon impact of our pool car fleet, we have introduced ultra-low emission vehicles (ULEVs) to our offices at Nottingham and Newcastle-on-Tyne.

Our success in tackling water leaks and out-of-hours usage has contributed to a 9.7% reduction in our water consumption – the equivalent of filling 27 Olympic swimming pools. This achievement has also impacted positively on our water efficiency, which now stands at 7.10m³ per full-time equivalent employee.

The trend to print less has continued with 21 million fewer sheets of paper printed compared with last year and a reduction of 369 tonnes in the amount of waste sent to landfill. We are also contributing to waste reduction across government through our preparatory work to lead a 2016-17 pilot programme, which will make sure that unwanted assets are re-used within government departments, rather than sent to waste. Fourteen government departments and agencies are committed to taking part.

1.3m

sheets of paper saved by not issuing paper Self Assessment reminders

The pilot will use an eBay-style format, initially offering a facility for office supplies, stationery and furniture.

Sustainable procurement, climate change and biodiversity

The Greening Government Commitments also impacted on our suppliers and our local environments.

Where possible, we complied with government buying standards in sourcing our materials and assets. In the categories of food, transport and office paper we fell very slightly short of 100% compliance. For our other paper purchases, there has been an insufficient supply of suitable recycled paper that meets our requirement for competitive pricing. We have instead sourced Forest Stewardship Council (FSC) grade products, covered by a Carbon Balanced Certificate (CBC)

We measured sustainability risks in our supply chain and are progressing the government aspiration for 33% of our procurement spend to be with small and medium enterprises by 2020.

We also addressed the impact of climate change through working with the Environment Agency to identify and monitor offices at risk of flooding. Our actions on biodiversity have included increasing the number of our sites under positive conservation management and adding biodiversity to the contract management requirements at our Newcastle estate.

Awards

Our achievements as an environmentally responsible organisation were recognised nationally with an Environment and Energy Award for reducing paper, and the Waste Management Champion accolade from the Green Apple organisation.

Advertising

We spent about £5.5 million on advertising campaigns to support our operations during the past year. Paid-for advertising is a cost-effective way of prompting customers to take action to deadlines, and helps to reduce the cost of pursuing customers who have failed to comply on time. Over recent years, HMRC has reduced advertising costs as we have sought no-cost and low-cost alternatives to large-scale marketing.

Our major campaigns focused on prompting tax credits customers to renew their claims on time by using the new online service, and encouraging Self Assessment customers to file and pay what they owe before the deadline. We also informed married couples how to claim the new Marriage Allowance and warned people using offshore accounts that they should step forward and declare all their undisclosed income. As in previous years, we ran an advertising campaign to recruit candidates for our graduate recruitment programme.

Our Self Assessment campaign, which was delivered with an approximate £600,000 cost reduction against the previous year, contributed towards 92% of customers filing on time and 89% filing online. Our tax credits campaign also helped secure 82% of customers renewing on time and 27% online, while the offshore evasion campaign helped encourage 980 registrations for voluntary disclosures in the final two months before the facility closed on 31 December.

The following table sets out in more detail our main performance data compared to the previous year.

Figure 22: In summary – key performance indicators

Creating sustainable cost reductions	2014-15	2015-16
Unit costs (pence per £ collected/paid out)		
Collecting income tax (Self Assessment and Pay As You Earn)	0.83	0.78
Collecting Corporation Tax	0.71	0.69
Collecting National Insurance Contributions	0.27	0.26
Collecting VAT	0.64	0.59
Administering personal tax credits	1.42	1.60
Administering child benefits	0.51	0.49

Maximising revenue collection	2014-15	2015-16
Cash collected from compliance	£9.8bn	£9.0bn
Future Revenue Benefit	£6.7bn	£6.2bn
Revenue Loss Prevented	£7.9bn	£6.8bn
Product and Process Yield	£1.3bn	£2.1bn
Accelerated Payments	£0.8bn	£2.4bn
Total revenue raised[1]	**£26.6bn**	**£26.6bn**
Payment on time – proportion of businesses and individuals who pay tax on time – using VAT as lead indicator	86.8%	87.3%
	2013-14	2014-15
Personal Tax Credits error and fraud – amount of tax credits money claimed by people who are not entitled to it	4.7% (£1.35bn)	4.8% (£1.37bn)
	2012-13	2013-14
Tax gap – difference between all the tax theoretically due and tax actually collected	6.6% (£34bn)	6.4% (£34bn)

Stabilising and improving customer service	2014-15	2015-16
% of post cleared within 15 working days of receipt	70%	52.2%
% of post cleared within 40 working days of receipt	93.9%	87.0%
% of post cleared within 15 working days of receipt passing HMRC quality standards	93.1%	97.3%
% of post cleared within 40 working days of receipt passing HMRC quality standards	93.0%	97.2%
% of call attempts handled by our contact centres	72.5%	71.6%
% of return transactions carried out online (12 months to quarter end e-returns, SA, PAYE, VAT, CT and Stamp Duty Land Tax)	97.1%	98.0%

1 Numbers may appear not to sum due to rounding.

4,518
The number of days that HMRC people volunteered in their local communities

Mid-sized business customers

There are around 170,000 mid-sized businesses in the UK with an annual turnover of between £10 million and £200 million, or who employ 20 or more people.

Many mid-sized businesses are growing, and their tax issues become more complex as they grow.

£80bn

The amount of taxes and duties paid by mid-sized businesses each year

50%

The percentage of mid-sized businesses that export goods and services

19%

The percentage of the UK workforce that mid-sized businesses employ, but they make up fewer than 4% of UK businesses

To read about more customer groups see **pages 64 65.**

Delivery against our Business Plan

In summary...
We delivered, or partially delivered, 22 of the 29 main external commitments made in our 2014-16 Business Plan, covering key areas of our work such as generating revenue, making payments, and tackling fraud and error. We didn't deliver on the remaining seven and we explain why below.

When we published our HMRC Business Plan in April 2014 we committed ourselves to delivering further improvements to how we maximise revenues, improve customer service, make sustainable cost efficiencies and include and involve our people in how we meet these key objectives.

We set out below the main external commitments that we have delivered on in 2015-16.

Figure 23: Business Plan commitments

- ● (green) Commitment complete
- ● (orange) Commitment ongoing
- ● (red) Commitment missed

Status	Business Plan commitments
Maximising revenues	
● complete	We will deliver additional compliance revenues of £26.3 billion in 2015-16
● complete	We will use specialist teams to identify individuals who have hidden assets in the UK or offshore. Our affluent teams, which were created in 2011, have delivered more than £200 million in overall benefit from April 2014 to February 2015 and are on track to help HMRC deliver around £500 million in overall compliance benefit by the end of 2014-15
● complete	We will make far better use of the customer information we collect to exploit sources of data, including from companies that process card payment transactions. This will allow us to track sales of £400 billion a year through the use of credit cards
● complete	We will strengthen our work to make sure migrants from the European Economic Area claim the right amount of Child Benefit and Child Tax Credit, by introducing a range of new compliance checks
● complete	We will continue to reduce the estimated £3.1 billion lost due to tax avoidance each year. We are stopping new avoidance activity by reducing the opportunities to become involved in tax avoidance and using targeted communications that emphasise the pitfalls of tax avoidance and our success in tackling it
● complete	We will enhance our capability to tackle multinational enterprises which seek to avoid UK tax by shifting profits from the UK, including creating a large business taskforce and implementing the new Diverted Profits Tax, which became law in April 2015
● complete	We will continue to prevent and deter offshore non-compliance using agreements with foreign countries, such as the Liechtenstein Disclosure Facility, the UK/Swiss Agreement and voluntary disclosure facilities with Crown Dependencies and Overseas Territories*
● complete	We will reduce fraud and error by using real time information supplied by customers and employers to risk assess which groups of customers are most likely to be non-compliant
● complete	We will strengthen our capacity to disrupt the activities of organised criminal gangs operating in the illicit road fuel market, through the introduction of the new fuel marker in April 2015 and the expansion of our road fuel testing units

Continued

* The Disclosure Facilities highlighted in this commitment have now closed. We continue to prevent and deter offshore non-compliance by increasing our ability to detect it using agreements with foreign countries to automatically exchange information and by increasing the sanctions for those who are caught and those who help them.

Status	Business Plan commitments
●	We will use new ways of collecting debt so all relevant government departments and bodies can access a range of private sector debt collection, analytics and enforcement services – known as the Debt Market Integrator
●	We will use new powers to modernise the way we collect debt, and tackle the persistent minority who refuse to pay what they owe, by recovering money from debtors' bank and building society accounts, including ISAs
Improving customer services	
●	We will make it easier for our customers to do business with us online by testing new channels and services, including making payments through telephony self-service
●	We will pre-populate Self Assessment returns with employment income, meaning customers won't have to fill in the details on pay by April 2015 We did not deliver on our commitment to introduce automatic pre-population of employment income for Self Assessment returns for the 2014-15 tax year, however we plan to introduce this for customers completing Self Assessment returns for the 2015-16 tax year. The reason for this delay was to allow us to ensure that the latest security controls could be applied
●	We will start preparing for the replacement of the annual tax return in favour of a single, digital account for all customers by providing five million small businesses and ten million individuals with their own digital tax accounts by early 2016
●	We will use SMS messaging to reassure customers that their information has been received, or that their case is being dealt with
●	We will make 'webchat' and email alerts available for Self Assessment customers who can already complete their returns entirely online
●	We will enable more tax credits customers to report changes and renew their claims online
●	We will achieve a consistent level of service across our helplines, handling at least 80% of calls in 2015-16. We will reply to at least 80% of customer correspondence and complaints within 15 working days and 95% in 40 days. An explanation about why we missed these targets can be found in the 'Improving customer services' section on pages 34-37
●	We will increase to 75.8% the proportion of customers who find HMRC straightforward to deal with. The customer survey that was designed to measure HMRC's performance against this commitment ran until the end of the target period (March 2015). The survey was replaced with the new mass market customer survey and the results for 2015-16 show that 72% of small businesses, 61% of individuals and 40% of agents rated their overall experience of dealing with HMRC positively. Full results will be published in July
●	For our benefits and credits customers we will continue to handle all new claims and changes of circumstances for UK customers within 22 days
●	For our benefits and credits customers we will continue to handle all new claims and changes of circumstances for international customers within 92 days

Continued

Status	Business Plan commitments
Reducing costs and providing value for money	
	We will make sustainable cost savings of £205 million
	We will continue the national conversation we are having with our people through Building our Future, while at the same time responding to feedback from previous events, to ensure we make continuous improvement in our delivery of future phases
	We will develop and implement a new leadership academy for more than 4,000 of our senior leaders at Grade 7 and above, to build leadership and management capability
	We will build a stronger employer/employee relationship, while maintaining effective union relationships. Over the course of the year we have continued to build effective relationships with our unions, although we recognise that there are further improvements to be made. Early engagement with our unions on matters impacting our people, and involving our unions in early thinking on change plans to give them the opportunity to influence implementation, have started to work well. However, moving into 2016-17 we are mindful of the scale of change and transformation HMRC is driving forward. We will therefore continue to prioritise timely engagement with both our employees and our unions, working with them to continually improve the relationship in the face of a challenging working environment
	We will increase the percentage of staff who feel they have the skills required to do their job to 91% in 2015-16. In 2015-16 we missed the target of 91%, with 77% of positive responses. In a time of the largest transformation in HMRC's history, 91% was not achievable – it is likely people have some short-term uncertainties about the skills they need to undertake changing and challenging roles. We are focusing on getting the professional capability in place to support our people to get the learning they need. We are working towards the Civil Service benchmark (88% in 2015) by 2021
	We will improve employee engagement by continuing to work towards our ambition of achieving the Civil Service Employee Engagement Index benchmark which was 59% in 2014. Our Employee Engagement score for 2015 has risen to 45% so we have not yet met the Civil Service Benchmark which was 58% in 2015. We achieved a 2% increase in employee engagement between 2014 and 2015 and we will build on this each and every year, working towards our ambition of achieving the Civil Service benchmark. To increase engagement this year we are investing in developing our managers and leaders and expanding the use of our action planning empowerment tool to act on the survey results at all levels of the department and continuing to invest in our continuous improvement tool PaceSetter
	We will improve engagement among the Senior Civil Service, by maintaining or exceeding the Civil Service Employee Engagement Index benchmark (which was 74% in 2014)
	We will reduce the average working days lost per employee to 7.0. We achieved a consistent reduction in average working days lost across the year from 7.98 at March 2015 to 7.58 March 2016, but identified significant challenges around line manager capability and policy structure that were barriers to achieving further reductions. We are reviewing our policy with a view to making changes which will enable us to achieve these targets by March 2017.

Measuring our performance — a new approach

How we measure our performance as the UK's tax, payments and customs authority involves looking at a large number of what we call indicators, or metrics, that collectively give us a picture of how we are delivering against our objectives set by the government.

We have been updating these metrics so they reflect better the work we will be delivering over the next five years as we become a smaller, more highly-skilled digital organisation.

There are about 60 different metrics that cover a broad range of our activities. Current metrics include revenue collection, debt collection, customer service, and our running costs. Others are completely new – such as how well we move to digital ways of working, the quality of our policy-making and the number of customers who pay their taxes accurately and on time.

By measuring our performance against these metrics we get a more accurate picture of where we are succeeding, and where we need to focus more attention to achieve our performance targets. We also want to be as transparent as possible, and our performance metrics gives us a framework to explain how we are performing to Parliament, our customers and staff, and the large number of external organisations who take an interest in our work.

£2.7bn in betting and gaming duties

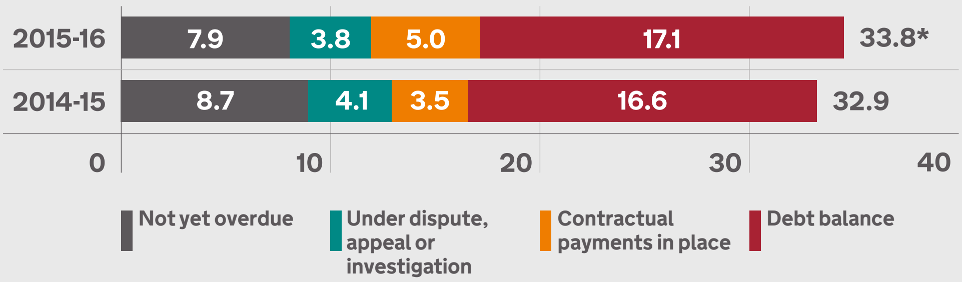
more than the total Pupil Premium Awards available this year to help disadvantaged children

Receivables, debt and other liabilities

In summary…
The vast majority of taxpayers pay their taxes in full and on time. Individuals and businesses need to pay the tax that is due, or return a tax credit overpayment, otherwise it is unfair on the honest majority. Around 10% of the money legitimately owed to the Exchequer is not paid on time and has to be pursued using our debt collection powers and more than 90% of this is collected.

Receivables represent all taxpayer liabilities that have been established, irrespective of whether due or overdue, for which payment has not been received at the Statement of Financial Position date.

Figure 24: Total due – Breakdown of receivables (£bn)



* Tax receivables £26.7bn
For more information see **page 169.**

* Tax Credit receivables £7.1bn
For more information see **page 196.**

Our debt balance

The debt balance is a snapshot of the total amount of debt, owed at any given time that is both collectable and enforceable. It includes debt that has been created in year, as well as older debt outstanding from previous years.

The total amount of tax debt owed to HMRC at the end of the year was £13 billion, the same position as March 2015. This comprised taxes, duties, penalties, and interest charges owed by individuals and businesses.

The total amount of personal tax credits debt owed to HMRC at the end of the year was £4.1 billion[1], compared to £3.6 billion for March 2015. The rise in tax credits reflects debt transferred in February and March 2015 that needed to be recovered from claimants receiving a new award. For technical reasons around £300 million of debt was not suitable for recovery via this method, and was returned for routine collection to Debt Management during 2015-16.

The total HMRC debt balance (tax and tax credits combined) was £17.1 billion at the end of the year, compared to £16.6 billion for March 2015.

1 This excludes debt being recovered through ongoing personal tax credits awards.

£1.5m
Charitable donations made by HMRC people

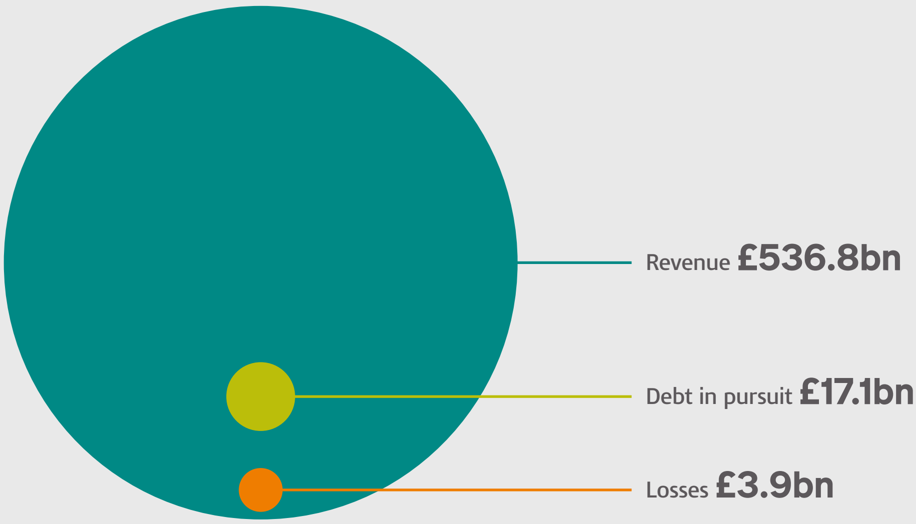
Money due to HMRC

We make it as easy as possible for our customers to pay what they owe by offering a range of payment methods and facilities.

Where customers are unable or unwilling to pay on time, we pursue outstanding amounts quickly and efficiently. We collected £43.1 billion using our debt collection powers in 2015-16, an increase of £2.1 billion compared to 2014-15. The majority of this debt is repaid in the same year, but some is old debt from previous years that is recovered more slowly.

We are able to offer Time to Pay arrangements to individuals and viable businesses which need more time to pay us what they owe, due to temporary financial difficulties. At the end of March 2016, we had agreed arrangements worth more than £2.5 billion – an increase of £600 million since April 2013.

Figure 25: Debt in pursuit and losses compared to revenue (£bn)*



* Debt and losses includes tax and tax credits data.

Losses, which occur when we formally cease collection activity, and are almost all driven by individual and business insolvencies, totalled £3.9 billion, which was a reduction of £500 million compared to the previous year.

We use private sector debt collection agencies (DCAs) to help with our debt collection activities. From August 2014, we increased our use of DCAs in the initial stages of tax credits debt collection to send letters, text messages and make telephone calls on our behalf. DCAs collected £271 million in overdue tax and tax credits payments in 2015-16 – an increase of £50 million on the previous year.

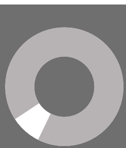
DCAs play an integral role in adding capacity to HMRC's debt collection function. Our future use of this service will be driven by our overall strategy, plans and the results of future fiscal events.

Other liabilities

Postponements

Postponed liabilities relate to direct tax charges (for example Corporation Tax or income tax) where the taxpayer liability is not resolved, and are therefore not yet legally collectable. Because only a proportion of postponed liabilities will become chargeable, we only recognise those that are virtually certain in our accounts. The value included in 2015-16 was £1.4 billion (£0.8 billion in 2014-15). The full postponed amount is excluded from the debt balance until it is legally collectable and recognised as debt. The value of postponed liabilities last year was £19.6 billion, compared to £17.1 billion for March 2015.

Jon Thompson
Accounting Officer
6 July 2016



£52.8bn in Corporation and Capital Gains Taxes

equivalent to the government's investment in the UK rail network to 2019 and in improving England's motorways and major roads in 2015-20

Wealthy individual customers

There are about 500,000 individuals who we consider to be wealthy.

Wealthy individuals have an annual income of at least £150,000, or wealth of £1 million or more.

Our wealthiest customers are closely managed by a specific customer team who have a detailed overview of their tax affairs.

£4.3bn+
The amount collected from the 6,300 wealthiest individuals in 2014-15

6,000
The number of wealthy individuals who we deal with on a one-to-one basis to manage their tax risk

£2bn+
The amount of additional compliance revenue secured from wealthy individuals since 2009

Valuation Office Agency

In summary...

The Valuation Office Agency (VOA) is an executive agency of HMRC. Its core purpose is to provide the property valuations and advice required to support taxation and benefits. The Agency employs approximately 3,600 people, based on full-time equivalents, in 62 offices across England, Wales and Scotland.

Vision and objectives

The VOA compiles and maintains statutory lists detailing the rateable value of 1.9 million commercial properties for non-domestic rating, and the council tax bands of 25 million domestic properties for council tax across England and Wales. This work enables local authorities to collect approximately £50 billion in revenue.

The VOA's work also enables the payment of housing benefits, the collection of key national taxes by HMRC and the setting of fair rents. It also determines Local Housing Allowances rates across England. The VOA provides independent property advice and valuations across the public sector and advises ministers on valuation and property matters.

The VOA's vision is: "The VOA's customers have confidence in its valuations and advice. As a modern professional organisation with expert and committed people, it acts fairly, consistently and efficiently."

To help achieve this vision, the VOA has four strategic objectives:

- Target and achieve customer trust
- Drive quality and consistency through improved processes
- Develop and sustain the right capabilities
- Sustainably reduce costs and improve value for money.

427,000

Days that HMRC staff spent on learning this year; on average more than seven days per member of staff to improve skills and capability

Performance

Last year the VOA continued its work to deliver the Chancellor's 2013 Autumn Statement commitment – that 95% of non-domestic rating appeals in England outstanding on 30 September 2013 would be cleared by July 2015. The VOA cleared more than 94% by the end of July 2015, and by 31 October 2015 it had cleared slightly more than 95% of these outstanding appeals. Outstanding appeals are mostly awaiting a hearing at Valuation Tribunal, while some have been paused at the ratepayer's request.

Throughout the year the VOA worked with stakeholders in HM Treasury and the Department for Communities and Local Government to identify ways in which the administration of non-domestic properties could be improved. In particular, the VOA is working to deliver the reforms to the non-domestic properties appeals system that were announced by the Chancellor and are passing through Parliament as part of the Enterprise Bill. These reforms are set to be delivered through 'Check, Challenge, Appeal', a three-stage process that will be in place when the new non-domestic rating list comes into effect on 1 April 2017.

New rating lists are required for 1 April 2017. A national revaluation seeks to ensure that business rates are based on up-to-date property values. On 1 July 2015, the VOA began carrying out the 1.9 million valuations needed across England and Wales. It has continued to make good progress in delivering this work.

The VOA strengthened the quality of its council tax banding decisions, including acting on colleagues' suggestions for improvement about how to make processes more efficient. This work has helped to streamline internal processes and resulted in a 5% improvement in productivity over and above the annual productivity challenge.

Detailed statistics summarising the number of band reviews and proposals received and cleared will be available as Official Statistics on GOV. UK in August 2016.

The VOA's Network Support Offices (NSOs) handle centralised processing work and much initial telephone and postal contact with customers. The NSOs ensured council tax customers got the information they needed more quickly by resolving around 60% of council tax calls at first point of contact. This meant these calls did not need to be passed on to colleagues in other parts of the organisation.

The four NSOs can now resolve a much broader range of enquiries without requiring specialist input, meaning quicker resolution of some customers' enquiries. This also allows specialist operational colleagues to focus on more complex valuation work.

The VOA's Housing Allowances and Statutory Valuations Teams met or exceeded all their targets on timeliness and quality. The rental data gathered by the Housing Allowances team feeds into the Office for National Statistics Retail and Consumer Prices Indices, and new experimental Index of Private Housing Rental Prices.

The VOA's Property Services team generated £15.1 million through the provision of valuations and property advice to clients across the public sector. This team was recently appointed to the new Welsh Government Framework for Estates Professional Services and appointed as sole valuation services supplier to Highways England to support their infrastructure projects. It also continued to work on the High-Speed 2 (HS2) rail link.

Transforming services

Throughout the year, the VOA made progress in transforming itself to deliver better, more efficient services to its customers and clients. As part of this far-reaching change programme, the agency reduced the amount of office space it occupies by 3,500m² and invested in its future locations to enable more flexible ways of working.

The agency also improved its understanding of the reasons customers make contact and the channels they use – an essential first step to enable the redesign of services to make them easier for customers and colleagues to use.

The agency continued to improve its technology infrastructure and took further steps to become digital by default, which will enable it to provide a more streamlined service to its external customers.

The VOA publishes its own Annual Report and Accounts which is available at: **www.voa.gov.uk**

£2.8bn from the Bank Levy

more than the UK's pledge to 2021 to help end worldwide deaths from malaria