



HM Revenue
& Customs

Annual Report and Accounts

2024 to 2025



HM Revenue and Customs

Annual report and accounts 2024 to 2025

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This is part of a series of departmental publications which, along with the Main Supply Estimates 2025 to 2026 and the document Public Expenditure: Statistical Analyses 2025, present the government's outturn for 2024 to 2025 and planned expenditure for 2025 to 2026.



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Foreword from the Exchequer Secretary to the Treasury and Chair of the HMRC Board



In 2024 to 2025 I was honoured to be appointed as Exchequer Secretary to the Treasury and Chair of HMRC's Board. In those roles I have seen the dedication and expertise that drives HMRC, and this Annual Report and Accounts demonstrates the department's critical contribution to funding our vital public services and facilitating trade and growth.

I have set HMRC three priorities: closing the tax gap; improving day-to-day performance and the customer experience; and driving reform and modernisation of the UK's tax and customs system. These are now enshrined in the department's strategic objectives and business plan, demonstrating HMRC's commitment to driving forward the change necessary to improve value for money, collect revenue more efficiently, and support economic growth.

I am committed to challenging HMRC to go further and faster in meeting these priorities, and to championing its work to deliver the tax and customs system the country deserves. The tax gap - the difference between tax collected and theoretical tax liabilities - stood at 5.3%, or £46.8 billion in 2023 to 2024 – and this year the government has announced the biggest ever package certified by the Office for Budget Responsibility to narrow this gap, including with the help of 5,500 new compliance staff and 2,400 colleagues in debt management over the next five years.

This year we have also set out our plans to crack down on the worst behaviours, such as phoenixism, where businesses shut down to avoid paying debts, then start new ones to carry on trading, especially when done repeatedly to commit fraud or dodge liabilities. We have set out how we will use our resources more effectively, such as through the use of Artificial Intelligence (AI) to improve compliance targeting and help staff productivity. Collectively, measures to close the tax gap from Autumn Budget 2024 and Spring Statement 2025 will enable the organisation to bring in an additional £7.5 billion per year by 2029 to 2030.

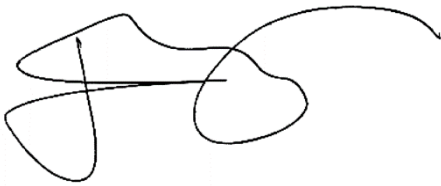
I am determined that HMRC meets the needs of customers by making it as easy as possible for businesses and individual taxpayers to pay the right tax. But I know that improving customer service cannot be achieved simply by recruiting ever more people to answer the phones. Transforming our digital services and enhancing the HMRC app will help us to reduce demand through phone and post and ultimately deliver a better experience for customers.

That is why, underpinning HMRC's activities is a commitment to reform and modernisation. HMRC's long-term strategic and transformation plans, supported by investment in our technology, our people and their skills, will make it as easy as possible for individual taxpayers and businesses to pay the right tax from the outset, fixing problems at source and enabling us to make sure more of the money owed is paid.

At the end of 2024 to 2025, we marked HMRC's 20th anniversary - a milestone which also coincided with important changes in its leadership. In March, we said farewell to Chief Executive and First Permanent Secretary, Sir Jim Harra, whose leadership was instrumental in steering the department through some very challenging times. In April we welcomed his successor, John-Paul Marks, who brings outstanding experience of leading major change projects and operational delivery across a twenty-year Civil Service career.

This transition has come at a crucial moment, as HMRC steps up to fulfil its critical role in enabling the Prime Minister's Plan for Change. The tax revenue that HMRC generates underpins the investment and reform necessary to deliver growth, ultimately putting more money in people's pockets, getting the NHS back on its feet, securing our borders, and rebuilding Britain as part of a decade of national renewal.

Whilst many challenges lie ahead, I am confident that with its clear vision, strong leadership, dedicated workforce and robust transformation plans, HMRC will continue to adapt, improve and deliver on its vital purpose. I invite you to read about HMRC's work over the past year and the progress made towards building a trusted, modern tax administration system that is fit for the future.



James Murray MP

Exchequer Secretary to the Treasury

Chair of HMRC Board

Foreword from HMRC's Chief Executive and First Permanent Secretary



It is my privilege to present HMRC's Annual Report and Accounts for 2024 to 2025. It's been a year of progress and we're building on strong foundations to improve and accelerate modernisation and reform of the UK tax system.

HMRC's core purpose is to bring in the revenue that funds the UK's public services and ensure the customs system supports the smooth flow of trade at the border. Alongside our work to reduce the cost of administration for businesses and improve compliance, this helps create the conditions to support economic growth. I'm proud of what the department has achieved over the last year and I recognise the need to go further in modernising and reforming HMRC and the tax system in the future.

In terms of performance and impact, HMRC collected record revenues in 2024 to 2025 – £875.9 billion (an increase of 3.9% on the previous year) and protected £48.0 billion from fraud and other forms of non-compliance – while providing crucial financial support to people and businesses across the country. This was an increase from £41.8 billion in the previous financial year and exceeded the annual target of £45.4 billion. Next year we will go further, with our yield target increasing to £50.4 billion for 2025 to 2026, and we are determined to build on this through the Spending Review period.

Investment announced at the Budget in October 2024 and the Spring Statement in March 2025, enables us to recruit 5,500 additional compliance officers and further develop our capabilities, to bring in an additional £7.5 billion of tax revenue each year by 2029 to 2030. The tax gap stands at 5.3% based on the latest available data (2023 to 2024) and we are determined to close it further. This new investment will also enable us to mitigate the risks as reported in this report, helping HMRC to improve control, resilience and the level of assurance in the years ahead.

We are focused on improving our efficiency and effectiveness. For example, HMRC resolved more than £96.7 billion of debt in 2024 to 2025, compared to £48.4 billion in 2019 to 2020, and tax debt as a proportion of total tax receipts fell from 5.2% in 2023 to 2024, to 5.0% in 2024 to 2025. It's estimated that the government's investment of almost £630 million in HMRC's ability to recover debt, will allow over £11 billion more to be collected by the end of 2029 to 2030. We are determined to see debt fall further as a proportion of total tax receipts in the years ahead.

We are also determined to fulfil our digital-first potential. 2024 to 2025 saw HMRC continue improving and expanding 24/7 online services, which rate consistently above 80% for customer satisfaction. The HMRC app now has over 5.9 million users, while more than 1.2 million families have claimed Child Benefit through it or via GOV.UK. In 2024 to 2025, 83% of claims were made digitally, demonstrating the progress we can achieve.

Supporting more customers to self-serve online or in the HMRC app frees up our advisers to help customers who need extra support or have more complex queries, enabling us to deliver a better experience for all. This helped us make progress on improving our day-to-day support for customers during 2024 to 2025, particularly in quarter 3 when we met our service standard on phones, achieving 85% of telephony adviser attempts handled, and were just shy of meeting our correspondence target. We are committed to sustaining this improved trajectory.

More customers typically need our help in quarter 4 due to the annual tax cycle, and while this was anticipated and planned for, demand and call-handling times on specific lines were higher than planned and this impacted on our performance in January and February, with the percentage of telephony adviser attempts handled falling to 73%. By the end of March 2025, however, this had gone back up to 80%, closer to the service standard. We are focused on improving this, so our customers see more consistent performance in the future.

I'm clear about where we need to improve, and this report points to several further priority areas. For example, we have implemented policy and operational changes in R&D reliefs, including additional information requirements and increasing R&D compliance capacity and activity. As a result, the overall estimate of the level of error and fraud in R&D tax relief schemes in 2022 to 2023 has reduced to 9.9% (£759 million). And while we achieved efficiency savings of £724 million over the last Spending Review period, we know we need to continue reducing cost and improving productivity and efficiency, if we're to meet our target of £886 million of cumulative annual efficiency savings from 2026 to 2027 to 2028 to 2029.

We are committed to reform and modernisation of the tax and customs system to improve how we support our customers, make HMRC more productive and efficient and strengthen the security, and resilience of our systems. Our transformation plans will deliver digital services that improve the experience for individuals and businesses in the UK. Taken together, as set out in our Spending Review 2025 settlement, we expect to increase the proportion of customer interactions that are automated or digital self-serve from around 76% in 2024 to 2025 to over 90% by 2029 to 2030.

Technology is essential to our transformation, and we've made progress with testing Making Tax Digital (MTD) for income tax and consulting on plans to introduce e-invoicing, which will help simplify processes, reduce errors and enable businesses to get paid faster. We're driving forward pilots to test how we can use technology to deliver a simpler tax and customs system that is easier to navigate. This includes exploring the use of generative Artificial Intelligence (AI) to summarise customer calls and working with wider government to continue testing the use of AI chatbots to direct customers to suitable guidance on GOV.UK. To drive service improvements, we're harnessing advanced technology, analytics, and customer insight so we can enhance the way we predict, assess, and target support for compliance and debt risks.

Our transformation is also about building a high-performing organisation with a skilled and engaged workforce and we're doing this through the development of capability academies. Our Digital Academy (launched in 2023) ensures that our people have the skills they need to work in this more digital, data-driven world; and in May 2025 we introduced a Leadership and Management Capability Academy and a Tax, Customs and Compliance Academy, which will ensure that we continue to develop and deepen our core tax, customs and compliance professionalism. We've also already exceeded our Places for Growth commitments, with 57% of our senior civil servant roles already outside of London and we are aiming to exceed 60% by 2030.

So, we're building from good foundations, but we have more to do to engage, to listen, and to build trust with customers and stakeholders, guided by our Charter standards. We remain absolutely committed to our Charter and to delivering better outcomes for those who try to get their tax right, while dealing firmly with those who don't follow the rules and try to cheat the system. To help us maintain our relentless focus on improving the customer experience at every touchpoint, in April 2025 we announced the appointment of HMRC's first Chief Customer Officer and the creation of a dedicated Customer Experience Directorate.

Today the results of our annual customer surveys will be published along with this report (www.gov.uk/government/collections/hmrc-customer-surveys). I have read these carefully, as well as the Adjudicator's assessment of how HMRC currently embeds Charter standards. I am clear that to achieve our vision we must put customers first, understand their needs and do even more to make sure our Charter commitments are built into everything we do; and in 2025 to 2026 I will lead the department to be even more focused on the customer experience.

I am pleased to see the many ways we support customers in this report and in the Public Sector Equality Duty (PSED) report (www.gov.uk/government/collections/equality-and-diversity#equality-act-2010), which we're publishing shortly. The PSED report sets out more detail on the work that HMRC has delivered for customers and colleagues over the last year, to ensure we continue to make progress to become a more inclusive, respectful and representative organisation.

We'll continue working closely with our partners and stakeholders to build a tax and customs department that is productive, agile and efficient in serving the UK public. I'm also looking forward to working even more closely with the Valuation Office Agency (VOA), as we re-integrate it into the department next year.

We're well placed to continue improving, meeting challenges and contributing to the government's missions, while acting with integrity, empathy and fairness, in line with our Charter standards and Civil Service values. I'm confident we have the vision, ambition and investment we need to build our capabilities and improve experiences and outcomes in the future.



John-Paul Marks

Chief Executive and First Permanent Secretary HM Revenue and Customs

15 July 2025

How we are organised

Our department is made up of 5 core customer-focused groups, supported by corporate services, as set out below.

Our core customer groups	
Customer Services	Supports customers to pay the right tax and get the right benefits and helps those who have built up debt to pay what they owe
Customer Compliance	Ensures the right tax is paid and intervenes when there is a risk of that not happening
Borders and Trade	Supports UK international trade and the collection of taxes and duties on imports, working closely with Home Office Border Force
Customer Strategy and Tax Design	Works closely with HM Treasury to develop and deliver policy reforms to the UK tax system in support of government priorities, underpinned by high quality customer insight and analysis
Valuation Office Agency	Executive agency which provides expert, independent valuation and property advice to the Government and Local Authorities in England and Wales to support taxation and benefits

Our corporate services	
Change Delivery Group	Drives HMRC's core transformational change through the delivery of major change programmes and projects
Chief People Officer Group	Designs, develops and oversees implementation of HR policies and services to build a skilled and engaged workforce, supporting HMRC to be a high-performing organisation
Chief Finance Officer Group	Includes our Finance and Commercial functions, as well as Banking services provided to HMRC and other government departments
Chief Digital and Information Officer Group	Designs, develops and runs digital and information services for our people and our customers while ensuring we hold data in a way that is secure and meets legal requirements
Enterprise Transformation Group	Responsible for driving HMRC to realise its vision, deliver its purpose more effectively and to change faster - ensuring that organisational strategy and ministerial policy is delivered
HMRC Legal Group	Provides legal services to HMRC alongside technical accountancy and forensic services
Communications and Guidance	Provides communications advice, support and services to HMRC and manages the provision of up-to-date, accessible guidance for HMRC's customers, their tax advisers and HMRC customer service colleagues. Incorporates HMRC's Sustainability Team

Our departmental group had 65,987 full-time equivalent employees at the end of financial year 2024 to 2025, 62,224 in HMRC and 3,763 in the VOA.

- + Read more about the VOA on pages 108 to 109.
- + Find out about our staff numbers and costs on pages 143 to 144.

Our purpose and vision

HMRC is your tax service. We collect the money that pays for the UK's public services and give financial support to people.

Our vision is to be a trusted, modern tax and customs department.

Our Values

- We are professional
- We act with integrity
- We show respect
- We are innovative

Our strategic objectives

- Close the tax gap
- Improve day-to-day performance and the overall customer experience
- Reform and modernisation of tax and customs administration
- Build a high-performing organisation with a skilled and engaged workforce
- Support wider government economic aims through HMRC's work

Our Charter

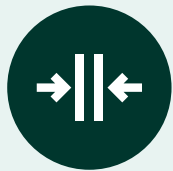
The HMRC Charter sets out the standards our customers can expect when interacting with us and the experience we want to deliver. The Charter commits us to the following.

- Getting things right
- Making things easy
- Being responsive
- Treating customers fairly
- Being aware of customers' personal situations
- Recognising that customers can appoint someone to represent them
- Keeping customers' data secure

+ Read the HMRC Charter at www.gov.uk/government/publications/hmrc-charter

Performance highlights: 2024 to 2025

An overview of the progress made towards our vision of being a trusted modern tax and customs department



Strategic Objective 1:
Close the Tax Gap

£875.9bn

total tax revenues – 3.9% increase
on 2023 to 2024

5.3%

the tax gap in 2023 to 2024

£48.0bn

tax protected by tackling avoidance,
evasion and error

310

prosecutions brought as a result of our
criminal investigations, securing 281
convictions with a 91% success rate
in court



Strategic Objective 2:
**Improve day to day performance and the
overall customer experience**

76.2%

proportion of customer service interactions
made through automated or digital self-
serve channels

79.7%

customer satisfaction for digital, webchat
and telephony contact

97.3%

proportion of Self Assessment returns
completed online

2.8m

number of new HMRC App users





Strategic Objective 3:

Reform and modernisation of Tax and Customs administration

30m+

the number of VAT returns processed by Making Tax Digital for VAT

135m+

individual customer records brought together to view data across 5 different taxes

26-40

hours saved per year, on average, for each business using fully functional MTD for VAT software



Strategic Objective 4:

Build a high-performing organisation, with a skilled and engaged workforce

56%

employee engagement score

80,000+

number of courses completed by colleagues on our Digital Academy site

110,000+

PAYE schemes supported through our model office approach, helping to reduce tax reporting errors



Strategic Objective 5:

Support wider government economic aims through HMRC's work

78m

number of declarations made on HMRC's Customs Declaration Service

25,000+

number of workers protected against underpayment of National Minimum Wage

£5.1m

value of financial penalties issued for non-compliance with money laundering regulations



Chief Executive's Performance Report

This report provides an overview and analysis of our performance in 2024 to 2025, including information about our new strategic objectives and our progress in delivering against the priorities set by the Exchequer Secretary to the Treasury.



Our new strategic objectives

Following last July's change of government, we refocused some of our activities to ensure we were delivering against the 3 priorities set for us by the Exchequer Secretary to the Treasury. We also updated HMRC's strategic objectives, to guide us through the Spending Review period. They build on the progress we've already made and reflect how we're meeting the government's challenge for the Civil Service to be more productive, agile and efficient in serving the British public.

Our Strategic Objectives set out what we will do over the coming years to achieve our vision.



Close the Tax Gap



Improve day to day performance and the overall customer experience



Reform and modernisation of Tax and Customs administration



Build a high-performing organisation, with a skilled and engaged workforce



Support wider government economic aims through HMRC's work

Closing the tax gap

In this chapter we report on our work in 2024 to 2025 on closing the tax gap, including what we've done to make it easier for our customers to meet their tax obligations and prevent non-compliance.

“Our compliance work secured a record £48.0 billion of tax revenue in 2024 to 2025, up from £41.8 billion in the previous financial year. An increasing proportion of this comes from our work to step in earlier to help customers get it right first time, or prevent people getting it wrong.

This offers a better experience for our customers, stops deliberate non-compliance as early as possible, and frees up our compliance professionals to focus on those who choose to deliberately try to pay less than they should, or claim money to which they are not entitled.

The investment announced at Autumn Budget and Spring Statement to help us close the tax gap has seen us welcome over 500 of the 5,500 additional compliance officers by 2029 to 2030, and we have begun laying the foundations for the modernisation of our IT and data infrastructure, which will allow us to be more digital, and more efficient and effective.”

Penny Ciniewicz

Director General, Customer Compliance Group



How we are working to close the tax gap

We already bring in around 95% of the tax that's due, according to the latest available estimate for the UK's tax gap (2023 to 2024) – and in 2024 to 2025 we brought in £48.0 billion of tax that would have gone unpaid if HMRC hadn't stepped in. Most tax is paid in full and on time, either automatically through PAYE, customers self-serving by using our online services, or by using third party software. However, non-compliance still happens for a variety of reasons, from honest mistakes to deliberate evasion. Our compliance work aims to make sure everyone pays the right amount of tax and takes many forms, from prompting customers to avoid common mistakes to investigating cases of international tax fraud.

But we face challenges. The number of taxpayers in the system is growing, and more of them have increasingly complex tax affairs. Both the global economy and the world of work have changed significantly in the last decade. This is an age of multiple incomes, side hustles, digital transactions, artificial intelligence and cryptocurrencies. As the economy and our customers' working patterns evolve, so must our compliance approach.

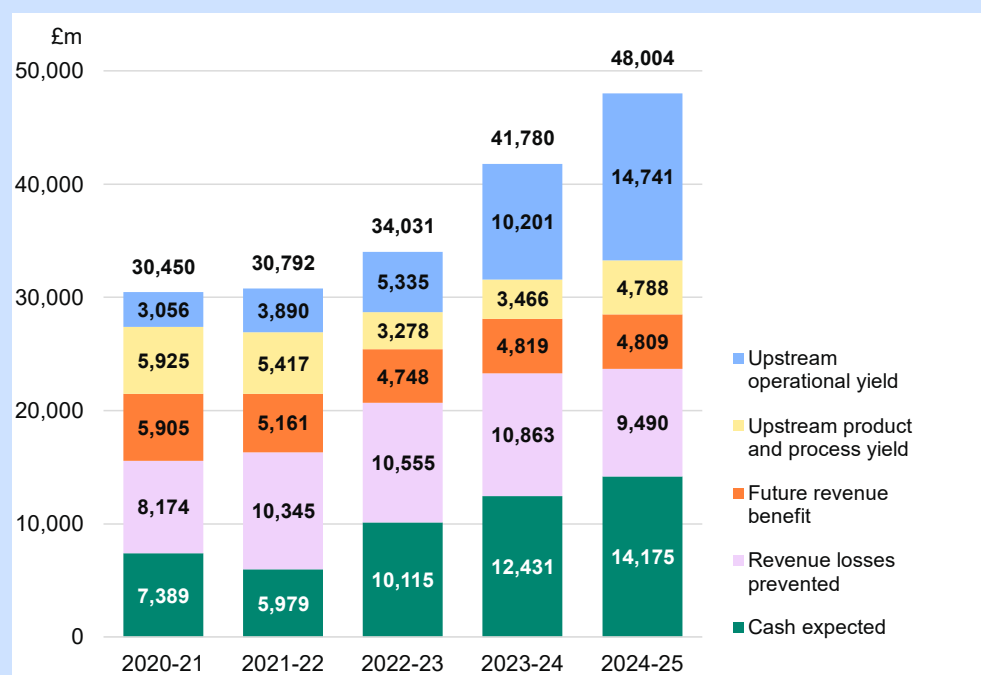
In response to these challenges, we are prioritising the prevention of non-compliance and promotion of good compliance. We call this 'upstream compliance' as it increases the likelihood of customers getting things right before they submit their tax return or makes it harder for them to get it wrong. This approach includes changing policies and processes, providing clear guidance, building user-friendly digital interfaces, improving the quality and standard of tax intermediaries, and nudging customers to file correctly.

We are recruiting an additional 5,500 caseworkers into our compliance workforce and expect this investment to help us raise an additional £6.8 billion of tax revenue over the next 5 years. In 2024 to 2025, our first year of growth, we recruited over 500 new compliance officers, from trainees to more experienced external tax specialists, who will strengthen HMRC's expertise in managing complex tax risks. We're also boosting our criminal investigation capacity, by training new recruits in criminal justice skills, through HMRC's Counter Fraud Academy.

Figure 1: Compliance yield¹

In 2024 to 2025, we secured £48.0 billion of 'compliance yield', which is revenue that we have collected and protected that would have been lost to the Exchequer without our interventions. This exceeded our annual target of £45.4 billion, which is set to be consistent with the Office for Budget Responsibility's economic forecasts and the assumptions they make about a stable tax gap. Our compliance work returned, on average, £23 for every £1 spent on our compliance workforce in 2024 to 2025.

Compliance yield from activities designed to promote compliance, prevent errors from occurring, and the deterrence of our litigation activity (known as 'upstream compliance') has grown as a proportion of our compliance yield target from 24% in 2019 to 2020 to 43% in 2024 to 2025. Compliance yield consists of several components as shown below.



¹ Numbers may appear not to sum due to rounding.

Upstream product and process yield: estimated annual impact on net tax receipts of legislative changes to close tax loopholes and changes to our processes which reduce opportunities to avoid or evade tax.

Future revenue benefit: estimated effect of our past compliance work on customers' compliance in the current tax year.

Revenue losses prevented: revenue that we prevented from being lost to the Exchequer through our compliance work, such as where a fraudulent or erroneous claim to a relief or repayment is either reduced or refused. It also recognises the estimated value of refused registrations, disruption of criminal activity and the revenue value of seized goods.

Upstream operational yield: estimated impact of operational activities undertaken to promote compliance and prevent non-compliance before it occurs. Does not include yield from legislative or process changes.

Cash expected: additional revenue due when we identify past non-compliance, with a reduction to reflect revenue that we estimate will not be collected. Cash expected for 2020-21 also includes accelerated payments.

- + Read more on modernising HMRC's debt management systems on page 23
- + Read more in our technical notes on compliance yield and tax by different customer groups at www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2024-to-2025
- + Read our latest tax gap report at www.gov.uk/government/statistics/measuring-tax-gaps

How we are helping customers to get their tax right

Error and ‘failure to take reasonable care’ are still the main reasons for customers not paying the right amount of tax. That’s why our focus remains on making sure as many customers as possible get their tax right from the outset, reducing the need for us to step in and fix problems after they have filed their tax return.

We want to do much more of this. Besides delivering more of what our customers need through quick and easy to use online channels (read more from page 24), we continuously improve our guidance and we’re expanding our approach to educating citizens about their tax obligations. Providing accurate, consistent and clear information to customers is a key element of the HMRC Charter (read more on our Charter from page 112).

In 2024 to 2025, we worked with customers and their representatives to help small businesses get their tax right, including:

- a new tool and guidance to help the self-employed understand what taxes may apply to them depending on their circumstances, helping them plan for their tax bill and what records to keep
- guidance and general education campaigns to help people understand when they pay tax on additional income from other sources – such as side jobs, hobbies, online platforms or starting a small business
- supporting over 600,000 small business customers with a nudge towards simplified guidance, helping them correctly account for the private use of business expenses at the point of filing their Self Assessment return

We estimate that this, and other work to improve guidance, has helped increase the number of customers who use our guidance without then going onto one of our “contact us” pages, within 5 days, to over 95%.

Simplifying and modernising tax administration

In 2024 to 2025 we:

- Announced in March that Income Tax Self Assessment reporting thresholds for trading income will rise to £3,000 during this Parliament, meaning up to 300,000 taxpayers will no longer be required to file a tax return
- Launched the Making Tax Digital (MTD) for Income Tax test service in readiness for the service going live for mandated customers with over £50,000 qualifying income from April 2026 (read more on page 38)
- Announced the expansion of MTD for Income Tax to sole traders and landlords with income over £20,000 from April 2028
- Helped customers get their tax right through digital ‘nudges’, which highlight to customers if they enter data that differs from what we’re expecting. These nudges have helped more than 6 million customers pay the right tax at the right time in 2024 to 2025 – resulting in over £448 million of additional tax being paid
- Required online marketplaces, such as Vinted and eBay, to collect and verify information on their users and share this with HMRC. This helps sellers to keep track of the total income they have generated from these online platforms, enabling them to complete their returns more accurately

We continued to promote good compliance by increasing our customers' understanding of tax through targeted tax education campaigns. These included writing to remind new landlords to register for Self Assessment and delivering an educational programme to support employers with their National Minimum Wage obligations. We also continued raising awareness and understanding of tax among children and young people through our award-winning Tax Facts programme. In 2024 to 2025, our Tax Facts materials were downloaded 9,000 times, and colleagues delivered 270 sessions to an estimated 20,000 young people.

Helping customers not to get caught out by tax avoidance

Tax avoidance involves 'bending' tax rules to try and gain a tax advantage that was never intended by Parliament and denies funds for our vital public services. Most tax avoidance schemes simply do not work to save tax and those who use them may end up paying more than the tax they tried to avoid, including penalties and interest.

We use a variety of legislation and tools to challenge promoters and others in the tax avoidance supply chain. Our work has led to a number of organisations that promote tax avoidance leaving the marketplace entirely. And when others start up, we use our powers to quickly shut down their schemes too. We also regularly publish information on tax avoidance schemes, those who promote them and others connected to avoidance schemes, to help customers identify and steer clear of them, or leave them.

In 2024 to 2025, we published the details of 83 tax avoidance schemes, 82 promoters, and 26 connected persons such as directors and those in control of the promoting entity. We also issued 40 stop notices to promoters, requiring them to stop promoting the tax avoidance scheme specified in the notice. Promoters may face penalties of over £1 million if they do not comply with the stop notice, and possible criminal sanctions if they continue to sell the scheme after receiving a stop notice.

In 2024 to 2025, we refreshed our 'Don't get caught out' tax avoidance campaign, introducing new content on social media and other platforms. We also wrote to those who we suspected of being involved in avoidance, advising them of the risks and urging them to speak to us if they wanted to leave the avoidance scheme.

Following announcements at Autumn Budget 2024, the government launched a consultation on 26 March 2025 on a package of measures to close in on promoters of tax avoidance, including new powers focused on those who own or control promoter organisations and exploring options to tackle legal professionals behind avoidance schemes.

+ We publish the names of tax avoidance schemes, promoters, enablers and suppliers at www.gov.uk/government/publications/named-tax-avoidance-schemes-promoters-enablers-and-suppliers

Raising standards in the tax advice market

There are approximately 85,000 tax advice firms in the UK, providing advice and services to 12 million taxpayers. High-quality tax advisers are crucial partners for HMRC in tax administration. We want taxpayers to have confidence that any adviser they choose will help them get their tax right, and we want to stop the minority who cause disproportionate harm to the tax system by assisting the non-compliance of their clients.

We have taken action to raise standards in the tax advice market and improve the service HMRC provides to tax advisers. At Autumn Budget 2024, the government announced mandatory registration of all tax advisers who interact with HMRC. This will help to ensure that advisers meet a minimum standard. We have also introduced a new requirement, from April 2025, for advisers to obtain an advanced electronic signature from their client if they wish to use the nominations process for certain income tax repayment forms. This gives greater assurance to both HMRC and the taxpayer that the customer has authorised the tax adviser to submit the claim and receive the payment.

HMRC's Standard for Agents, updated in May 2024, clearly sets out the expectations of all professional tax advisers when interacting with HMRC. The Standard also sets out how we will respond when advisers do not meet these expectations. In 2024 to 2025, we suspended or blocked access to HMRC services 1,285 times and made 43 public interest disclosures concerning misconduct to the relevant professional body. We also conducted 183 investigations into the tax affairs of advisers, generating £1.75 million in compliance yield.

While HMRC has existing powers to tackle tax advisers who harm the tax system, they are not always suitable in all cases. That is why the government recently consulted, from March to May 2025, on options to enhance HMRC's powers to take swifter and stronger action against advisers who facilitate non-compliance in their clients' tax affairs. The government is grateful for contributions made to the consultation and will respond in due course.

+ Read the consultation document at www.gov.uk/government/consultations/enhancing-hmrCs-ability-to-tackle-tax-advisers-facilitating-non-compliance/enhancing-hmrCs-powers-tackling-tax-advisers-facilitating-non-compliance

Addressing non-compliance

Alongside preventing non-compliance from occurring in the first place, we are continually evolving our approach to fixing mistakes after they have been made. For example, in 2024 to 2025, we wrote to 243,000 individuals asking them to check and amend Self Assessment returns for previous years where we believe they had been completed incorrectly or were missing. We also carry out compliance checks to ensure the right tax is paid and ensure a level playing field for everyone. In 2024 to 2025, we completed 316,000 compliance checks.

In cases where we believe a business or individual is deliberately not complying or trying to cheat or defraud the tax system, we use a range of civil and criminal powers and specialist investigative capabilities to recover the money owed.

In 2024 to 2025 we received 164,670 reports of alleged fraud from the public via our Fraud Reporting Gateway, where we assess all reports and take relevant action. There are times when it is in the public interest for us to make payments to people for providing us with information, and this year, these payments were worth a total of £852,438.

+ Information on reporting tax fraud or avoidance to HMRC can be found at www.gov.uk/report-tax-fraud

Policies to drive compliance

New policies were announced in 2024 to 2025 to help close the tax gap. These included:

- amending anti-avoidance rules to ensure shareholders cannot extract funds untaxed from closed companies
- changing tax rules on liquidations to ensure that the gains preceding contribution of an asset into a Limited Liability Partnership (LLP), are taxed when the LLP liquidates and the assets are disposed of
- preventing non-compliance from the transfer overseas of UK tax-relieved pension funds, by removing the exclusion from the Overseas Transfer Charge for transfers to Qualifying Recognised Overseas Pension Schemes in the European Economic Area or Gibraltar. This addresses the risk of individuals receiving double tax-free allowances

Tackling serious fraud and economic crime

HMRC has extensive powers and specialist investigation capabilities to uncover the most complex and determined frauds. We focus our resources on where we can deliver the greatest impact. Usually, that means using our civil powers to assess tax and civil penalties, including imposing fines of up to 200% of the tax liable. Our Fraud Investigation Service tackles the most high-value, high-harm fraud cases. In 2024 to 2025 we opened over 11,000 new civil investigations into suspected fraud.

We will also open criminal investigations, seeking prosecutions and confiscations to recover the proceeds of crime, where they are an effective, proportionate or necessary response. The number of criminal investigations opened increased by 3.7% compared to 2023 to 2024. This year we:

- opened 446 new criminal investigations
- achieved 557 positive charging decisions and 310 prosecutions brought as a result of our criminal investigations, securing 281 convictions with a 91% success rate in court
- had 275 individuals under criminal investigation as part of our work to tackle wealthy tax evaders
- secured and protected £2,430 million from our civil work and £1,516 million from our criminal investigations
- recovered £191 million from the proceeds of crime and our Code of Practice 9 civil investigations

At Autumn Budget 2024, the government announced investment in HMRC's compliance work which will include increasing the size of our Fraud Investigation Service, enabling us to do even more to tackle the highest value and most harmful tax fraud. Additionally, investment in counter-fraud technology, including digital tools, analytics, and automation, means HMRC will be better able to keep one step ahead of organised criminals who are increasingly using technology to commit ever-more sophisticated frauds and transfer illicit funds through global financial systems.

Tackling offshore tax evasion – case study

Two property developers were handed prison sentences, fined and disqualified as company directors for stealing more than £3.2 million in an offshore tax scam. They used offshore companies in overseas territories to hide money from the sale of land to evade paying tax.

As part of HMRC's Code of Practice 9 process, they were offered the chance to come clean about their tax affairs, but they failed to respond in full, so the investigation was converted to a criminal enquiry.

HMRC investigators proved that offshore companies were used to facilitate the tax fraud. The perpetrators paid back the entire amount they had stolen and paid prosecution costs.

+ Read more about our Fraud Investigation Service's approach to tax compliance and fraud in our technical note at www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2024-to-2025

Partnerships

HMRC works with partner organisations to tackle tax fraud and threats to the United Kingdom's economic security. They include law enforcement agencies such as the National Crime Agency and National Economic Crime Centre, financial institutions, professional bodies, other government departments such as the Serious Fraud Office, regulatory bodies such as the Financial Conduct Authority, the UK intelligence community, and international tax and customs

authorities. We also work with the devolved governments through joint enforcement efforts, legislative measures and sharing of expertise to ensure a coordinated approach to preventing and investigating tax fraud across the United Kingdom.

Using Automatic Exchange of Information to address offshore non-compliance

The UK also plays a leading role in international cooperation on tax transparency. In 2024 to 2025, we received Common Reporting Standard (CRS) information (relating to calendar year 2023) on over 10 million financial accounts from 106 jurisdictions. We analyse this CRS data, as well as other data and intelligence we hold, and compare it with customers' data. This deters non-compliance, helps us support customers to get their tax right, and prompt those who may have got it wrong to correct any undeclared offshore tax, for example through the Worldwide Disclosure Facility (WDF). In 2024 to 2025, we sent 20,000 letters to customers who may not have declared all their foreign income and brought in £80.1 million in compliance yield through the WDF. We have secured £1 billion in compliance yield directly from international automatic exchange of information agreements since we first started receiving CRS data in 2016 to 2017.

Preventing phoenixism

HMRC works to tackle phoenixism, where the same business or directors trade successively through a series of companies which liquidate or dissolve leaving debts unpaid. We estimate that tax losses from phoenixism, in 2022 to 2023, accounted for about 22% of losses – which consists of a combination of write-offs and remissions (see page 23 for further detail on losses). This updates the previously published estimate of 15% of losses, due to a spike in the number of insolvencies being deferred from earlier years.

Losses attributable to phoenixism are lagged and we expect the proportion of losses resulting from phoenixism to return to the previous range of 10% to 15% and emerging data indicates that this is likely to be the case for 2023 to 2024. We will publish an estimate of this when a more complete dataset for that year is available and we will continue to review and improve the methodology for estimating these losses, so estimates are subject to change.

In 2024 to 2025, HMRC, Companies House, and the Insolvency Service agreed a joint plan to tackle those using contrived insolvencies to evade tax and write off debts owed to others. This includes increasing the use of upfront payment demands (securities), doubling the amount of tax protected to £250 million by 2026 to 2027, making more directors personally liable for company taxes during 2025 to 2026, and increasing the number of Insolvency Service enforcement sanctions in phoenixism cases.

Collecting debt

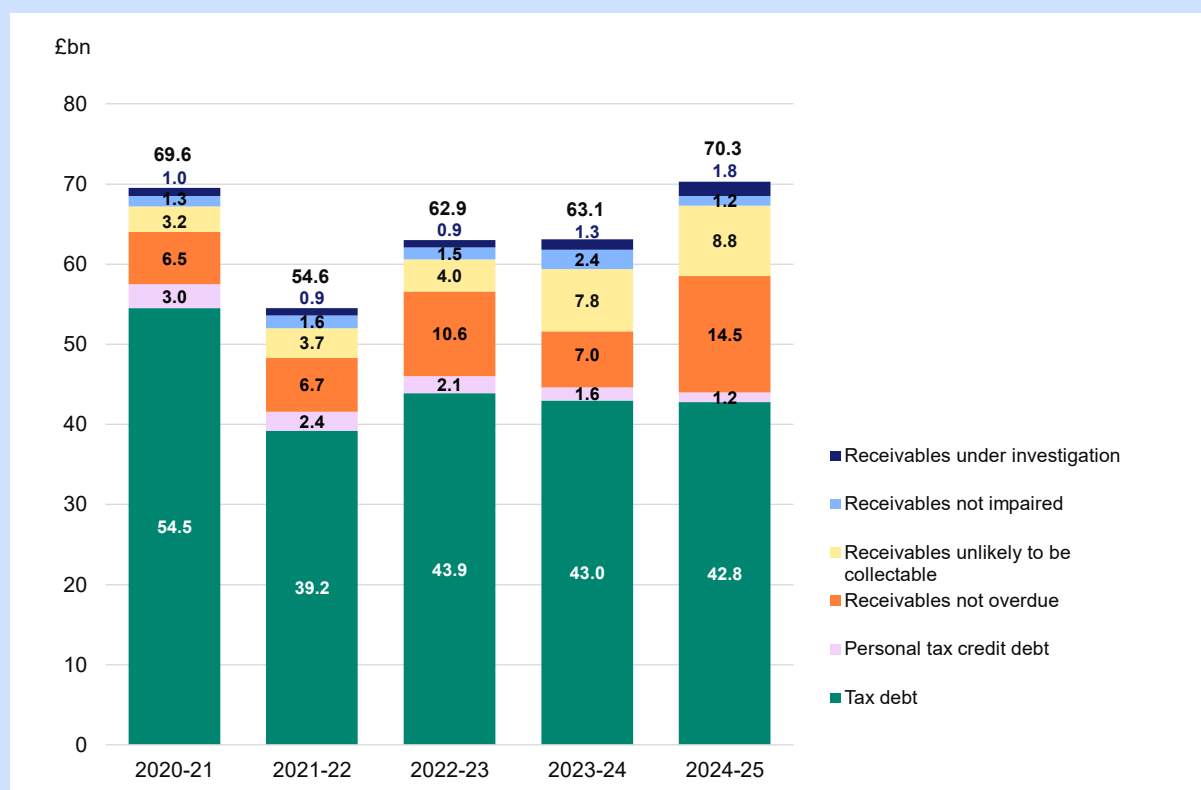
It is important that all taxpayers pay their taxes when they are due. Additional investment in HMRC's debt collection is enabling us to collect high levels of outstanding debt.

In 2024 to 2025, we resolved around £97 billion of debt. The vast majority of these resolutions are due to the debt being paid, with some also from losses (read more on page 23).

Tax debt as a proportion of total tax receipts fell from 5.2% in 2023 to 2024, to 5.0% in 2024 to 2025 and we are determined to reduce it further. By the end of 2024 to 2025, the total debt balance had reduced to £44.0 billion, from £44.6 billion at the end of March 2024.

Figure 2: Debt balance and receivables

When customers owe taxes, duties, tax credits, penalties, charges, determinations or assessments to us, we call these amounts ‘receivables’ for accounting purposes (this becomes a debt if the amount owed becomes overdue and is not under appeal). At 31 March 2025, gross receivables amounted to £70.3 billion, compared to £63.1 billion at 31 March 2024. This includes our total debt balance of £44.0 billion, of which 14% is in an instalment process. The total debt balance is made up of tax debt (£42.8 billion) and personal tax credit debt (£1.2 billion). Further information on each of these categories can be found on page 210.



Being aware of our customers’ personal situations and providing extra support if needed is one of our Charter standards (read more on our Charter standards in the Charter annual report on page 112), so we take a supportive approach to customers with tax debts. The government has agreed extra investment for 2,400 HMRC debt management staff, which will allow us to contact more customers to understand their circumstances and take the appropriate action.

We support customers by offering flexible Time to Pay payment plans, which allow them to pay off their debt in affordable and sustainable instalments. These payment plans are available to businesses and individuals who are unable to pay their tax on time due to temporary financial difficulties.

To make it easier and faster to pay, our online Time to Pay service allows customers to set up payment plans without needing to call us. We continue to extend this service to more customers, and it now includes those with higher value debts or who need longer payment plans. In 2024 to 2025, 122,000 payment plans were set up online.



Over 90% of Time to Pay payment plans are completed successfully and by the end of 2024 to 2025, we were supporting over 913,000 customers in this way, an increase of around 11,000 compared with the end of 2023 to 2024.

We take firm action against the small minority who ignore us or choose not to pay when they can afford to. For example, we are currently working on restarting the 'direct recovery' of tax debts owed by individuals and companies who have the ability to pay but choose not to.

Sometimes it's not possible to collect debts that are owed to us. Where we can't, it becomes a 'tax loss' – which consists of 'write-offs' and 'remissions'. In 2024 to 2025, tax losses were £7.2 billion, of which £6.0 billion was from write-offs and the remainder remissions. We define remissions as money owed to us which we have decided not to pursue any further because it doesn't represent value for money to do so. Write-offs is the term we use for money owed but for which there are no means of pursuing the debt, such as following a company liquidation or personal bankruptcy – this would include losses from phoenixism (read more on page 21). Most insolvencies are voluntary with customers responsibly using insolvency procedures to resolve their financial affairs. Tax losses this year were £1.6 billion higher than in 2023 to 2024 as voluntary insolvencies stayed high and more debts met the criteria for being remitted. Tax losses as a proportion of new debts remains lower than the pre-pandemic average.

Our published strategic approach to debt sets out how we are working to minimise the volume and value of debt, by preventing tax debt, tailoring debt collection activity and making our processes more effective and efficient. In 2024 to 2025, we made progress in implementing this strategy – for example, we began using data purchased from credit reference agencies to tailor our approach when contacting customers about their debt.

At Autumn Budget 2024 and Spring Statement 2025, we secured a further £629 million of funding, which was a record amount of investment from the government in our debt collection activities. This will help us collect over £11 billion more debt by the end of 2029 to 2030. The funding was made up of £376 million to retain and recruit more debt management colleagues; £87 million to increase our debt management capacity by investing in our existing partnerships with private sector debt collection agencies; £154 million to modernise our debt management case system; and £12 million to acquire further credit reference data, so we can continue to better target our debt collection activities.

+ Read our tax debt strategy at www.gov.uk/government/publications/the-hmrc-tax-debt-strategy/hmrcs-tax-debt-strategy

Improving day-to-day performance and the experience of our customers

This chapter reports on the progress we made in 2024 to 2025 on improving day-to-day performance and the experience of our customers, by building a more effective, agile and digitally focused HMRC.

"More and more customers are using our always-available online services. Last year, around three quarters of all interactions with customers were through our digital services. Customers who use our online services like them - they consistently have a customer satisfaction rating above 80%.

By expanding and improving our online services, as well as highlighting them through targeted communications campaigns, we're helping more customers interact with us digitally. We're also helping people by improving our guidance.

We recognise some customers are unable to use digital services and some have complex queries so our helplines and post remain important channels. Improvements on helpline and post performance mean customers are getting a better service, but we have more to do and we are determined to improve further."

Myrtle Lloyd

Chief Customer Officer and Director General,
Customer Services



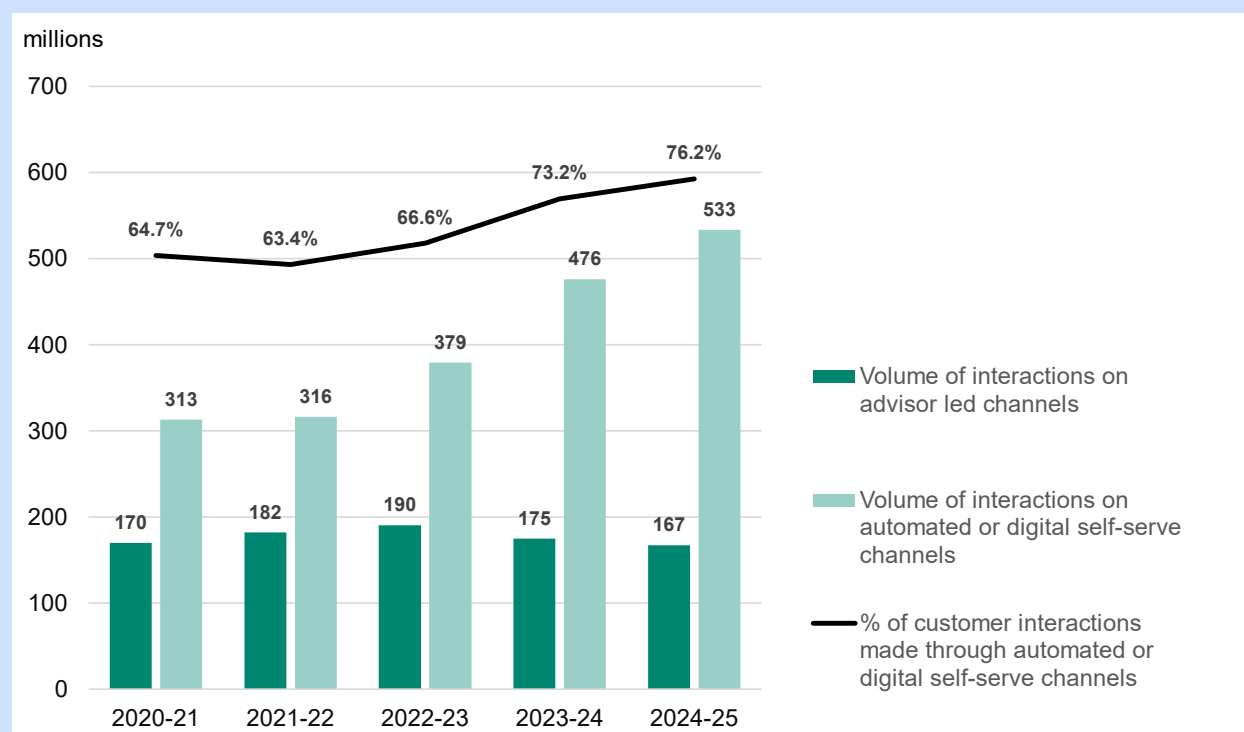
A digital-first organisation

People and businesses rightly expect to be able to interact with us in a way that is as simple and convenient as possible, whether that's to meet their own or their clients' tax obligations, claim benefits or conduct trade at the border. We're doing everything we can to improve the experience for anyone who needs to interact with HMRC, while delivering value for money to taxpayers.

That's why we're continuing to evolve into a more modern, digital-first organisation. We're investing in our technology, to go further in modernising the tax and customs system and help us become more productive, agile and efficient.

Figure 3: Customer interactions through automated or digital self-serve channels (%)¹

Our digital-first customer service strategy aims to enable as many customers as possible to self-serve online. We made good progress on implementing this strategy in 2024 to 2025, expanding and enhancing our digital services and driving up their usage. In 2024 to 2025, 76.2% of our customer interactions were made through automated or digital self-serve channels, building on the upward trend in recent years and towards our aim of 90% by 2029 to 2030.



¹ Over the course of 2024 to 2025 we have worked to improve the quality of the data included within the metric. This change in methodology means that it now captures more digital interactions than previously included, resulting in an increase of 2 to 5 percentage points in each year.

Delivering a better online customer experience

Customer feedback shows that people and businesses who self-serve online via GOV.UK or the HMRC app appreciate being able to get what they need quickly and easily at a time and place that suits them. Online self-service also frees up more of our advisers to help people who need extra support, like those who are particularly vulnerable or who cannot access online services, and those who have more complex queries.

In 2024 to 2025, 97.3% of Self Assessment returns were completed online, compared to 97.0% last year. Our business and personal tax accounts, and the HMRC app, were accessed 302 million times. Customers rate our app highly - with a current rating of 4.8 out of 5 on the Apple App store, 4.6 out of 5 on the Google Play store - and satisfaction with our other digital services is consistently over 80% (see figure 5). The majority of customers also find our digital services easy to use (see figure 4).

Here is what some customers have said about the HMRC app.

- **“Brilliant app (5-star rating)** This year is the first time I completed the self assessment myself instead of using an accountant. I have found the information on the HMRC app extremely useful, and really helped me to understand how my tax payments were calculated in previous years. The extra bonus was the easiness in processing my tax payment through the HMRC app. Very happy indeed!”
- **“Great App (5-star rating)** I’m an ‘older’ user so don’t like complicated stuff but this App has been so easy for me to use. I would urge everyone to download it. I really feel like I’m in control and the information I need is at my fingertips.”
- **“Quick and easy (5-star rating)** I just paid my tax in the app and it couldn’t have been any quicker or easier. Nicely integrated into my banking app and it was all done in about two minutes. I was expecting a much more arduous process. Thank you.”

We now have more than 5.9 million users of the HMRC app and the number continues to rise. We're promoting the app and other online services with innovative, targeted marketing campaigns, and breaking down barriers to their use.

Customers can now use the HMRC app to view their PAYE tax code, claim a tax refund if they’re owed one, pay Self Assessment liabilities, or claim and manage Child Benefit, as well as download their National Insurance number to an Apple or Google wallet.

The app is also a platform for customers to manage their tax payments, with over £1 billion of Self Assessment and Simple Assessment paid in this way during 2024 to 2025. New users are increasingly proactive in using the app to manage their financial responsibilities, signalling a shift towards digital engagement in personal finance management. To continue developing the app, we’ve developed new push notifications for mobile users. HMRC app users will receive a notification on their mobile phone to provide reassurance that we’ve received their claim to Child Benefit, reducing the need for them to call to check on progress. We will expand use of these features across different taxes and customer groups throughout 2025.

Simplifying access to our online services

Making it easier for customers to access our online services is important too and to that end, GOV.UK One Login enables people to access multiple government online services via a single sign-in and identity checking service. HMRC will begin onboarding to GOV.UK One Login in 2025, starting with customers who are new to HMRC online services and do not already have an individual Government Gateway account.

Improving our guidance

Enhancing our published guidance is also an important part of delivering a better customer experience, and helps reduce the need for customers to contact us directly for common or straightforward issues.

In 2024 to 2025, we significantly enhanced our online Self Assessment services to address 2 major drivers of phone calls: people asking how to claim tax refunds and people wanting to check the progress of existing claims.

Since making our Self Assessment guidance clearer and promoting self-service tools to enable the tracking of claims, we've seen over 60,000 more customers use our guidance without the need to contact us.

In March 2025 we began trialling Voice Biometrics, which involves collecting customers' voice recordings, so they can be used as their passwords – making it quicker and easier for them to get through the authentication process when they need to contact us.

Key digital service improvements in 2024 to 2025

- **Enhanced digital services for PAYE customers.** We're making it easier to check and update incomes, allowances, reliefs, and expenses. These services enable customers to understand what information we hold and make changes to ensure they are paying the right tax on their salary or pension.

The first improvements were released in January 2025 to a limited number of customers to test these changes with regular enhancements planned throughout the year. Future releases will simplify the process for PAYE customers to claim expenses, including the ability to upload supporting documents to verify their claims. This will build on the 6.3 million customers who had expenses in their tax codes for 2024 to 2025.

- **New features in the digital Child Benefit service** which was launched in May 2023. Previously, 75% of claims were received by post but in 2024 to 2025, 83% of new claims were made online. In 2024, we added further security features to prevent fraud and gave customers the option to digitally opt in or out of the High-Income Child Benefit Charge.
- **We began to upgrade online services for customers telling us they no longer need to file a Self Assessment return.** Pre-populated information and communications have improved the online process and reduced the need for calls and manual processing by advisers. We will expand these improvements to help customers registering for Self Assessment and make the process for appealing penalties easier.

Read about how we're modernising how businesses and individuals interact with us from page 38.



Figure 4: Customer experience: Net Easy for digital, webchat and telephony contact

This metric is based on a survey offered to customers after every telephone, webchat and digital interaction asking the question: 'How easy was it to deal with us today?'. The score represents the total of positive responses minus the total of negative responses, to achieve a net score. Our overall score of +62.2 was below our service standard of +70, with our digital services rated as the easiest route to deal with us.

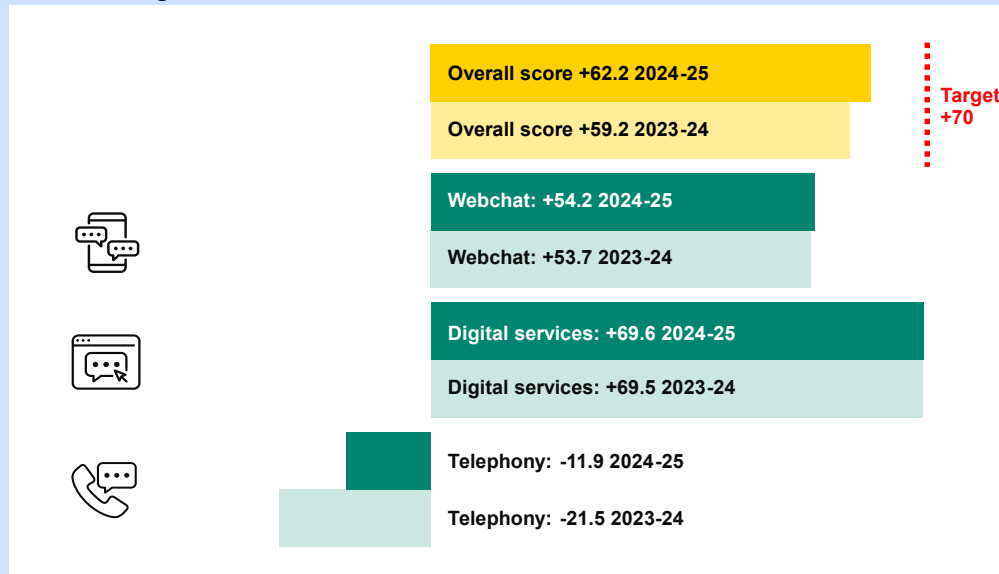
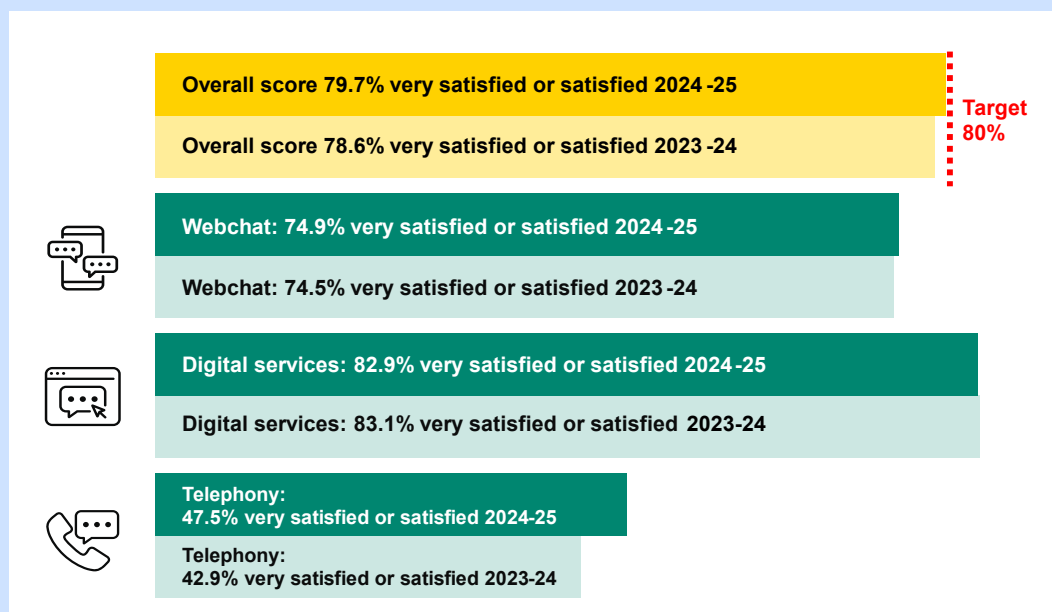


Figure 5: Customer satisfaction for digital, webchat and telephony contact

Another key measure of our customer experience is customer satisfaction, which was 79.7% in 2024 to 2025, close to our target of 80%. When we break this down further to the satisfaction levels on each of our different channels – phone, webchat and digital – we can see that the increasing number of customers using our online services to manage their tax affairs are generally very satisfied with them.



Improving service levels and the customer experience

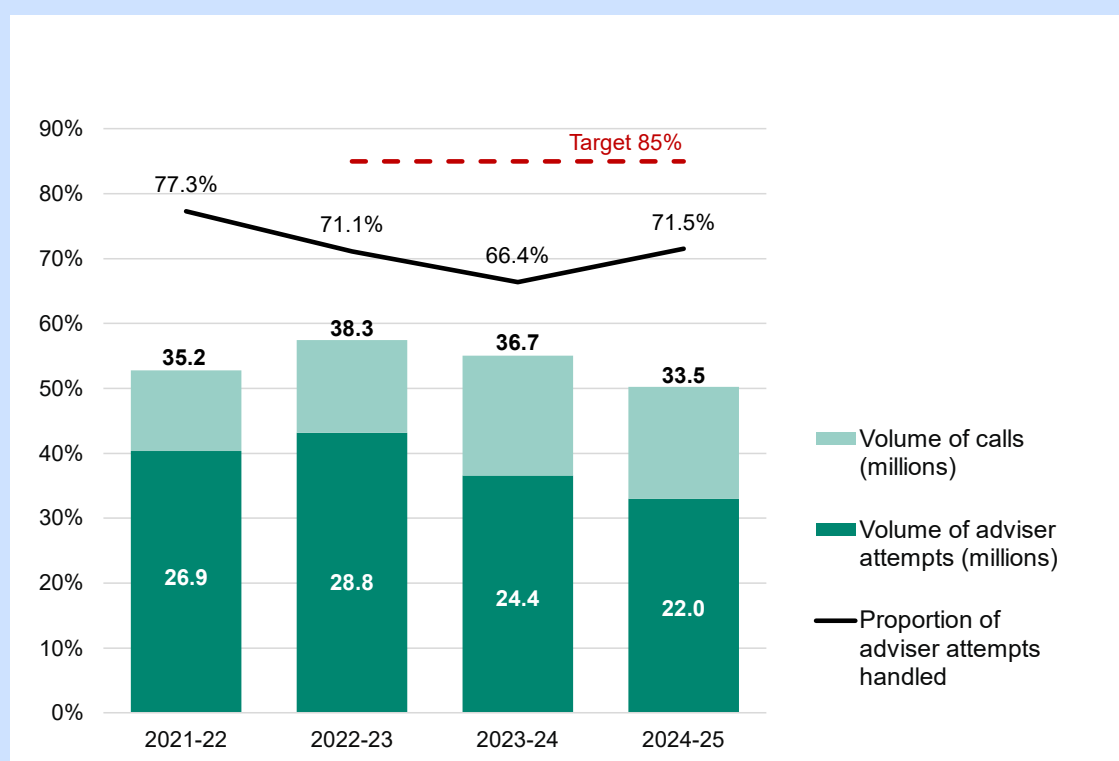
While a digital self-serve experience remains our ambition for the majority of our customers, we recognise that this is not always the best option for everyone. Improving customer service performance across our telephone and post services remains a key priority for HMRC, and we made strong progress on this during 2024 to 2025 (this is explained in the box below). In 2024 to 2025, 71.5% of callers who wanted to speak to one of our advisers were able to do so, which was an increase from 66.4% the previous year, but short of our 85% target (see figure 6). Our average call wait time in 2024 to 2025 was 18 minutes and 38 seconds, compared with 23 minutes and 14 seconds in 2023 to 2024.

In 2024 to 2025, we also improved the proportion of customer correspondence that we turned around within 15 working days to 76.9%, from 76.3% in 2023 to 2024, against a service standard of 80% (see figure 7). Our correspondence on hand reduced through the year from 2.57 million items in April 2024 to 2.29 million in March 2025. Acting promptly on post queries is really important, as it reduces the need for customers to contact us to ask for a progress update.

The funding we have secured for 2025 to 2026 means that we expect to see improved and more consistent performance throughout the year.

Figure 6: Telephony adviser attempts handled and call volumes

Telephony Adviser Attempts Handled percentage (AAH) measures the proportion of callers who got through to an adviser after hearing the automated messages and choosing to speak to an adviser (adviser attempts). Our performance in 2024 to 2025 was 71.5%, lower than our service standard of 85%, but an improvement on 2023 to 2024 (66.4%).





Telephony performance through the year

Our telephony performance improved from where it was at the beginning of 2024 to 2025. In the first half of the year our performance remained below the service standard of 85%, with 64.7% of callers who queued for an adviser having their call answered. In quarter 3 we met our target, with 85.1% of callers who wanted to speak to an adviser being able to do so.

However, demand is typically higher in January, February and March due to the annual tax cycle, and although we anticipate and plan for this, we experienced more calls on some of our telephony lines than expected, which impacted performance in those months. Performance improved in March 2025, with 80.2% of callers who wanted to speak to an adviser doing so.

The progress we made this year was largely due to our ongoing efforts to reduce demand for traditional contact channels like post and telephone, improvements to our digital services and the deployment of additional customer service advisers.

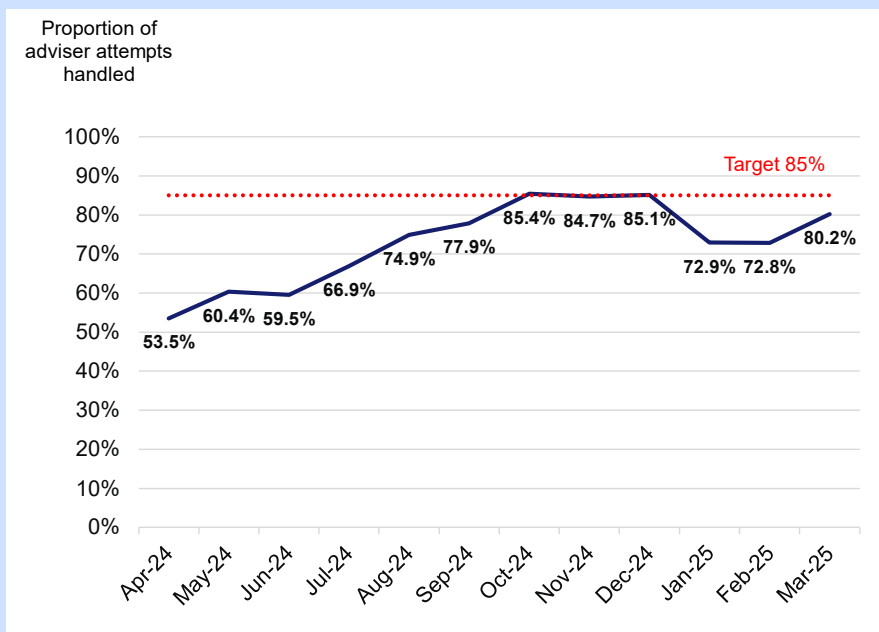
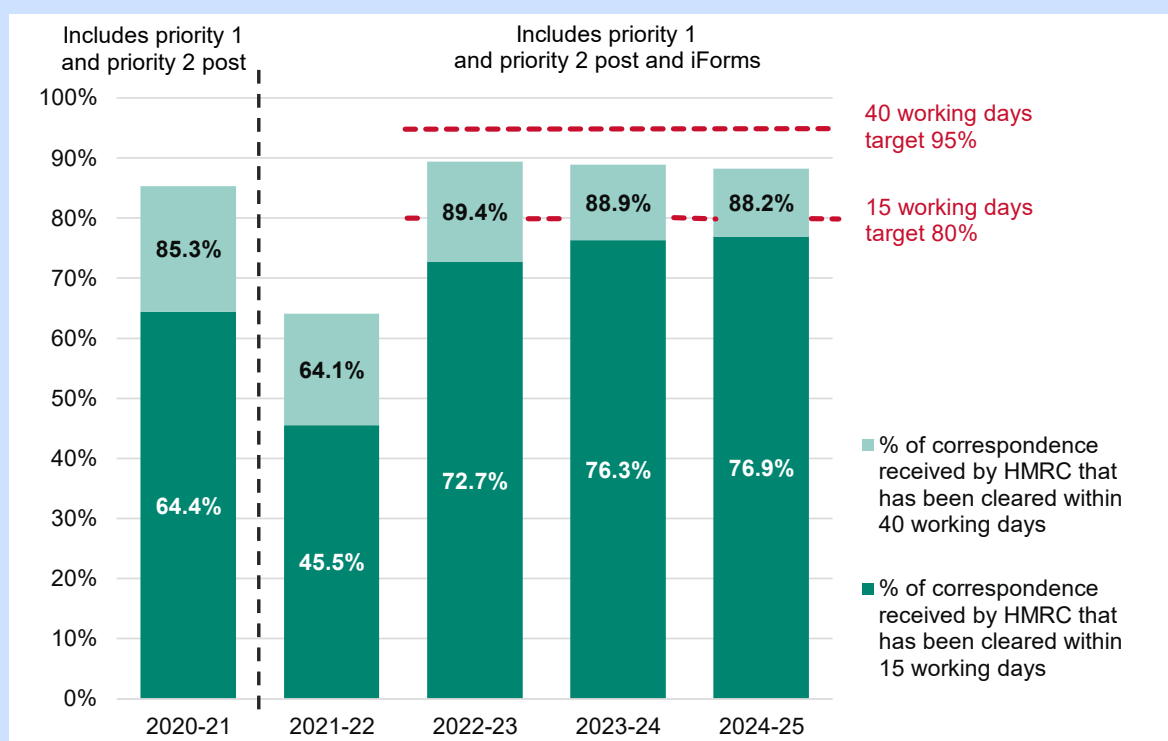


Figure 7: % of customer correspondence responded to within 15 and 40 working days of receipt

We improved the proportion of customer correspondence that we responded to within 15 working days from 76.3% in 2023 to 2024 to 76.9% in 2024 to 2025, although this is still below our 80% service standard. Similarly, we responded to 88.2% of customer correspondence within 40 days, a slight reduction on our 2023 to 2024 levels, and below our service standard of 95%.



Improving the experience for tax advisers

We recognise that tax advisers such as accountants and bookkeepers play a substantial role in maintaining a healthy tax system, performing a range of functions on behalf of taxpayers and helping their clients to pay the right amount of tax at the right time. It is therefore important that we provide them with the services they need – both analogue and digital – to support their clients effectively.

At Autumn Budget 2024, the government announced a £36 million investment to modernise HMRC's tax adviser registration services. This investment will help reduce delays in registration, simplify and secure the process for accessing services, and set the foundation for future improvements.

This year we have strengthened the security and foundations of our Agent Services Account and the enhancements we've delivered have enabled:

- advisers to more efficiently self-serve by having the ability to update their contact and anti-money laundering details
- the decommissioning of the old VAT authorisation route via the Online Agents Authorisation service
- automated digital checks of advisers on sign-in to the Agent Services Account
- reductions in print and postal costs

By the end of 2024 to 2025, a total of 6,922 advisers had updated their details and a total of 2,683 had updated their anti-money laundering supervision status.

We also improved digital transactional services, allowing advisers to manage their clients' affairs more effectively; and, since April 2025, customers have been able to authorise multiple advisers to assist with their income tax obligations, which supports Making Tax Digital for Income Tax.

We developed a new service to provide an escalation route for advisers with Self Assessment and PAYE queries over 4 weeks old. Launched in March 2025, this new service built on the changes announced in October 2024, which included a dedicated option for repayment progress chasing on our agents' helpline, and enhanced agent webchat.

While we are making progress, we recognise there is more to do to provide tax advisers with the services they need, and we remain committed to working with them and their representative bodies to continue improving our services.

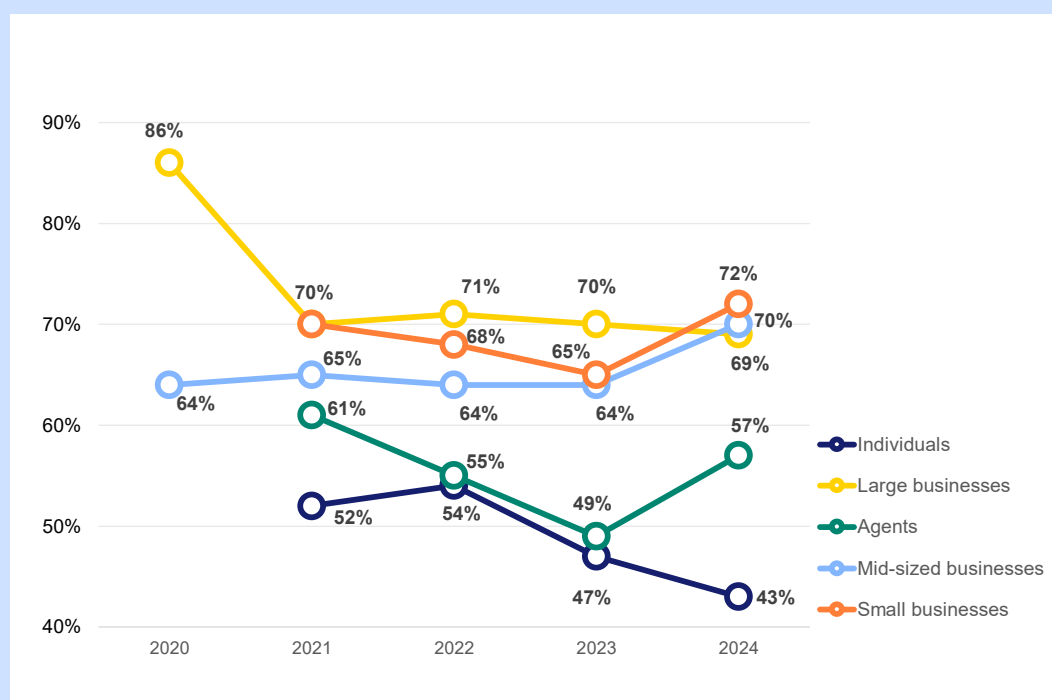
Meeting our Charter Standards

Our Charter sits at the heart of what we do, setting out the standards of service and behaviours that customers should always expect from us. It explains how we aim to get things right, make things easy for customers and be fair, responsive and aware of their personal situations. The Charter also recognises that customers may want someone else to represent them and provides reassurance that we will always keep their data secure.

Delivering to our Charter standards is essential to us ensuring a good customer experience. While we recognise there is more work to do to truly embed these standards across the department, we are committed to upholding them to earn and maintain public trust (see figure 8 below). Read the report on page 112 for more information on how we performed against the HMRC Charter in 2024 to 2025.

Figure 8: Trust in HMRC¹

Public trust in the tax and customs system is crucial in order for us to do our job effectively. The graph below shows how small, mid-sized and large businesses, individuals and agents rated us when asked whether HMRC is an organisation they trust. We introduced this question into our customer surveys in different years. Individuals' rating of trust in HMRC has decreased since 2022 however we have seen positive improvements in trust amongst small and mid-sized businesses, and agents, in 2024. We are focusing on improving day to day performance and the customer experience, whilst taking into account the individual circumstances of our customers, to build and earn trust.



¹ 2023 mid-sized score has been revised to exclude 'not applicable' answers and therefore differs to the previously published figure

Being transparent about our performance

We aim to increase transparency and build public trust by publishing data and information on how we are performing, such as our monthly and quarterly performance data published on GOV.UK. We also share findings from our external research programme, our evaluations and a range of official and national statistics.

In 2024 to 2025, we published 17 research reports covering issues such as customers' experience of dealing with HMRC and evaluations of policy changes. Some of the results of our customer surveys, relating to specific Charter standards, are shown below.

How do customers rate their experience with us?

HMRC Charter standard: making things easy

Ease of dealing with tax issues

	2023	2024
Individuals	52% positive**	44% positive
Small business	70% positive*	73% positive
Agents	38% positive*	62% positive

HMRC Charter standard: getting things right and treating you fairly

Confidence in the way HMRC are doing their job

	2023	2024
Individuals	41% positive	40% positive
Small business	52% positive	63% positive
Agents	27% positive	37% positive

Overall experience of dealing with HMRC over the last 12 months

	2023	2024
Individuals	58% positive	52% positive
Small business	70% positive	68% positive
Agents	37% positive	33% positive

HMRC are professional

	2023	2024
Individuals	54% positive	49% positive
Small business	84% positive	80% positive
Agents	63% positive	57% positive

Ease of finding information from HMRC

	2023	2024
Individuals	51% positive*	48% positive
Small business	58% positive*	58% positive
Agents	45% positive*	45% positive

HMRC treated my business fairly

	2023	2024
Small business	80% positive	76% positive

* Question wording amended in 2024 and comparisons should be made with caution. See published report for further details

** Question was asked to all those surveyed in 2024, but only to a subset within 2023. Comparisons should be made with caution. See published report for further details

+ Read our customer surveys at www.gov.uk/government/collections/hmrc-customer-surveys

+ Read quarterly performance updates at www.gov.uk/government/collections/hmrc-quarterly-performance-updates

+ Read our annual statistics publication plan at www.gov.uk/government/statistics/schedule-of-updates-for-hmrcs-statistics

+ Read our research reports at www.gov.uk/government/organisations/hm-revenue-customs/about/research#hmrc-research-reports

Improving support for customers who need extra help

As set out in the HMRC Charter, we are committed to being aware of customers' wider personal situations and will provide extra support if customers need it. We appreciate that dealing with tax, financial hardship, or debt can be stressful.

All HMRC advisers are given training and guidance on how to identify customers who need extra help and how to either provide tailored support themselves or refer the customer to HMRC's specialist extra support provision. We increased the size of our extra support team by 28% over 2024 to 2025.

HMRC also provides specific adjustments for customers who need alternative communication methods (translation, Braille, or large print for example), who may need a third party to act on their behalf, or who may need extra time or help filling in forms. In 2024 to 2025, our dedicated Customer Service Extra Support team helped over 150,000 of our customers in vulnerable circumstances to get what they need from us. In addition, our Customer Compliance Extra Support team also provided specialist support for almost 4,000 customers going through a compliance check.

HMRC also directly funds 12 Voluntary and Community Sector organisations, with £5.5 million invested over 2024 to 2027, to help customers make claims and understand and comply with their tax obligations, offer support if a customer cannot use HMRC digital services, or give specialist support if a customer has disabilities, language barriers, or complex enquiries. During 2024 to 2025, about 40,000 customers were supported by HMRC funded Voluntary and Community Sector organisations.

HMRC has also invested in training delivered by the Samaritans that equips advisers and caseworkers with the skills and confidence to have supportive conversations with vulnerable people and help them to build confidence in supporting those customers effectively via correspondence.

We have also introduced a new bereavement service to support customers during difficult times, ensuring they have access to a streamlined, once-and-done approach when we identify this need. In 2024 to 2025, this service assisted over 3,000 individuals. In 2025 to 2026 we are introducing a dedicated helpline to enable customers to reach the service directly.

+ Read our principles of support for customers who need extra help at www.gov.uk/government/publications/hmrc-charter/hmrCs-principles-of-support-for-customers-who-need-extra-help

Improving our complaints process

We want to get things right for customers first time, in line with our Charter standards, but when this doesn't happen, we have a straightforward and accessible complaints process. This year we enhanced our service by enabling tax advisers to complain via an online form. We automated our SMS text message service to update customers on the progress of their complaint. We're also piloting a webchat service for complaints.

Our operational teams are focused on doing more to resolve customer issues at the first point of contact to prevent complaints escalating. In 2024 to 2025, new complaints increased by 1.5% compared to the previous year, with our average response time decreasing to 27 days, from 36 days.

We're working continuously to improve our handling of complaints. For example, we proactively contacted customers to resolve older complaint cases and identify any new vulnerabilities. We explored how to better support customers with historical tax credit debt and responded quickly when an HMRC failure impacted customer payments to ensure no one suffered financially as a result.

We're trialling new ways of handling complaints, testing a single-tier complaints process within our compliance function. We work closely with the Adjudicator's Office, strengthening the governance around our complaints handling and responding to their independent feedback and we've forged closer working relationships with other government departments to improve the experience our customers receive. We value the insight we receive from the Adjudicator, which this year led to us collaborating to improve our handling of repayments.



Reforming and modernising Tax and Customs administration

This chapter looks at how we're making the most of new and exciting advancements in technology to modernise HMRC and drive changes to make us more productive, agile and efficient in delivering our core purpose, closing the tax gap and improving the customer experience.

"In 2024 to 2025, we continued to transform our services and ways of working to meet new and evolving challenges.

We've invested in more resilient IT systems and developed our digital services; testing and using artificial intelligence solutions to further improve HMRC services.

We've also taken time to invest in our people and identify the skills we'll need to run the digital tax service of the future, putting in place plans to further reform and modernise the UK tax and customs system."

James Mitton

Director General Enterprise Transformation group



Why we are modernising and reforming

The UK's tax and customs system is changing. The number of customers with increasingly complex tax affairs is growing and third-party intermediaries are playing an increasingly important role in the tax system.

It is vital that the tax and customs system keeps pace with evolving customer expectations. Our ambition is to become a digital-first organisation where most customers who need to interact with HMRC will do so through digital self-serve. Customers also expect their data to be stored safely and securely, and for our systems to be joined up.

That's why reform and modernisation are fundamental to improving HMRC's day-to-day performance and the customer experience, and to closing the tax gap.

Modernising how businesses and individuals interact with us

Businesses are increasingly using digital tools to improve cash flow, track invoicing, communicate with customers, and manage in a cashless society. And they are using software, provided either through their banks or purchased separately, to run their businesses.

Through Making Tax Digital (MTD) we have stimulated the tax software market, with 23 new products being launched to help integrate the running of a business with the effective management of their tax affairs.

MTD encourages businesses and landlords to keep accurate digital records - saving them time and helping to reduce the number of errors being made – and is a key part of modernising how business and individuals interact with HMRC.

We've already delivered MTD for VAT, processing to date more than 30 million VAT returns via this route.

MTD for VAT is currently predicted to deliver cumulative tax revenue of over £4 billion from 2019 to 2020 up to the end of 2029 to 2030 by reducing taxpayer errors, based on a methodology that has been certified by the Office for Budget Responsibility.

In February 2025 we published our final evaluation, which found that most businesses reported at least one benefit of MTD for VAT, including greater confidence in managing their tax affairs and time saved, which we estimate to be 26-40 hours per year on average for each business using fully functional software. We estimate the financial value of this time to be between £603 and £915 million.

At Autumn Budget 2024, the government reaffirmed the timetable for rolling out MTD for Income Tax to sole traders and landlords with income over £50,000 from April 2026 and over £30,000 from April 2027. Reporting business income and expenses through MTD for Income Tax will reduce the opportunity for error and help sole traders and landlords pay the right amount of tax. We also expect it to help with business planning and support business productivity.

+ Read the Making Tax Digital for VAT evaluation at www.gov.uk/government/publications/making-tax-digital-for-vat-final-evaluation

Our transformation plans

We are committed to reforming and modernising tax and customs administration. This includes delivering a range of digital services that will improve customer experience. For example, in 2025 to 2026, we will:

- improve the digital Self Assessment registration service and make the process simpler for customers who want to tell us they no longer need to file a Self Assessment return
- add new digital self-serve options into the PAYE digital service enabling customers to notify HMRC of income changes, check what allowances or deductions they are receiving and ensure they are paying the correct tax
- introduce digital tracking services, for example, in 2025 to 2026 we plan to deliver the technology so that Child Benefit customers will be able to track their claims and view their payments in real time

At Spring Statement 2025, the government announced its intention to expand MTD for Income Tax to those with a turnover above £20,000 from April 2028 and confirmed:

- improvements to MTD's design, which boost the innovative potential of commercial software, requiring customers to complete the entirety of their Self Assessment obligations in MTD-compatible software
- a number of deferrals and exemptions, including for small groups of customers who may have faced disproportionate barriers to operating MTD

This announcement provides stakeholders with certainty on key policy and design issues, and we will continue to engage with them to address any questions and provide further assurance.

In the last two years we have taken extensive action to assure the delivery of MTD for Income Tax, working with stakeholders, customers and the software industry to improve the design of the service. In 2024 to 2025, we recruited volunteers to begin testing our digital services for MTD for Income Tax. This has enabled us to drive forward improvements and prepare for public testing. We've also engaged software providers to actively participate in our testing service. We are progressing activities to support our customers and tax advisers to be ready for the service to go live in April 2026.

How we are improving our data and using new, innovative technology

Our customers should not have to give us the same information multiple times across multiple channels. As our systems and data have built up over several decades, however, one of the challenges for us has been ensuring that we have a full view of each customer's record when we interact with them.

Our Unique Customer Record programme is tackling this and has brought together over 135 million individual customer records into our new Central Customer Registry (CCR). For the first time, we can view customer data across 5 different taxes.

Next steps towards our digital future

At Autumn Budget 2024, the government announced further investment to support our modernisation and improve the customer experience. The design work is underway for a number of these enhancements and we will report progress on delivering them in future years. The changes include:

- **digitalising Individual Savings Accounts (ISAs)** to create a modern, digital reporting system for HMRC and its customers. The aim is to close the ISA tax gap by helping to identify and address errors closer to real time. We're currently designing digital ISA reporting, registration and penalties
- **pre-populating Self Assessment tax returns with Child Benefit data** for the purposes of the High-Income Child Benefit Charge. This will help customers by ensuring the charge is accurately calculated and reported
- **digitalising the Inheritance Tax service from 2027 to 2028**, to provide a more modern system, which makes it quicker and easier to file returns and pay the tax due
- **modernising voluntary Self Assessment pre-payment via the HMRC app**. This will allow Income Tax Self Assessment taxpayers to make voluntary advance payments in instalments

+ To read about upcoming policy changes that will help us to close the tax gap see page 19, and to read about how we have improved our online offering for customers in 2024 to 2025 see page 24.

In bringing those records together we can now see what themes we have across different taxes and crucially, where the gaps are in the data that can lead to issues. This will save customers from having to contact us because of incorrect or missing names, addresses or other basic customer details, helping to reduce the half a million calls to our phone lines each year for these reasons.

The CCR data has now been connected to HMRCs customer call handling system, so that our telephony advisers can see it when handling customer calls. This allows our advisers to correct data quality issues in real time or refer them to a specialist team for further action, helping to improve our customer data and reduce the costs to customers of dealing with the tax system.

We have also started to use data purchased from credit reference agencies to improve the accuracy of how we categorise our customers to better identify their risks and needs. This enabled us to tailor our approach when contacting around 1.5 million Self Assessment customers about their payments on account.

Exploiting AI and advanced technologies

There is huge potential for Artificial Intelligence (AI) and other developing technologies to be used to improve how organisations operate and give customers a better experience. AI is the use of technology to create systems capable of performing tasks commonly thought to require human intelligence and we've been using 'traditional' AI for decades at HMRC. More recently we've also started making use of generative AI (GenAI), which is a subset of AI that can generate new information, such as text or images.

To test this new technology, we're focusing on safer, internal uses of AI that drive better customer experience, internal productivity and improve our operations. This year we have:

- explored call summarisation, to support telephony advisers, testing the ability to reduce the time spent on customer call wrap-up through real-time call summaries, and better categorising calls
- supported a cross-government AI chatbot pilot aiming to make it easier to access guidance on GOV.UK
- enhanced compliance targeting, debt prediction, and fraud detection through advanced AI analytics tools
- played a key role in international approaches to the use of AI, by pulling together examples of AI use from Tax Authorities and contributing to the Trustworthy AI Framework which will be tested in 2025
- built an internal generative AI landing zone to help us safely exploit AI, whether internally or for customer-facing services

There is a clear ambition across government to improve how we deliver services, by exploiting technology to solve problems and enhance the customer experience. We are exploring how we can engage differently with the market, for example, to innovate in an agile way with a range of suppliers – including running a new 'data science competition' on tax compliance, from July 2025.

We also recognise the importance of reassuring customers and the wider public about how we're using AI. We have an AI Ethics Working Group, which is responsible for establishing mandatory processes, challenging projects, and reporting on progress. We have sought

additional assurance of our approach to AI from our Professional Standards Committee, whose members include ethics experts and non-executives.

Where we use AI in a way that could impact customer outcomes, we always ensure that the result is explainable, that there's a human in the loop, and that it complies with our data protection, security, and AI ethical standards. We will continue to build on our existing AI framework and align with and contribute to cross-government best practice and guidance.

How we're strengthening our IT resilience

At HMRC we run a vast 24/7 operation and have one of the largest and most complex IT estates in the UK. Continually modernising and updating our infrastructure, and ensuring it remains fit for purpose, is essential to meeting the evolving needs of customers and keeping their data secure.

"HMRC will deliver more of what our customers need through quick and straightforward digital channels, improving their experience and making it easier to get their tax right, first time. To help us do this we're modernising our systems, streamlining our IT governance, and working in more agile ways to deliver the outcomes HMRC needs sooner.

We've already moved many of our services to cloud hosting and we remain fully committed to exiting our legacy data centres as we build a modern IT estate. We'll have fewer technologies providing our IT platforms, so that we can scale them up more easily and cost-efficiently.

Those platforms will enable us to build the IT products our customers and colleagues need, in ways that enable us to change services much faster in future. They will be well-supported and properly governed, with our IT experts working to industry best practice and standards."

Daljit Rehal

Chief Digital and Information Officer



Protecting customer data

It's crucial that our data use is transparent, proportionate and follows data protection laws. We have continued to review and remediate existing systems to ensure they are fully compliant with General Data Protection Regulations. By the end of March 2025, we reviewed 82 HMRC systems or warehouses, deleting around 150 billion rows of data.

We liaise regularly with the Information Commissioners Office on matters relating to data protection. Since March 2023, we have seen an increase in the volume of Subject Access Requests (SARs), where customers can request copies of their personal information held by HMRC. This has largely been driven by increases in requests made by third parties on behalf of data subjects. In 2024 to 2025, volumes began to reduce but continued to remain high. We have significantly increased the resource for responding to SARs, but we have not been able to respond to all requests on time.

As we increasingly become a digital-first organisation, continuing to invest in the safety and security of our systems is more important than ever. That's why we've made keeping customers' data secure an integral part of the HMRC Charter. We know our customers remain at risk from criminals pretending to be HMRC and launching phishing scams at scale by email, text and phone.

We have been responding to an evolving series of sophisticated and complex attempts, by organised criminal groups, to manipulate the PAYE system by impersonating genuine customers to extract fraudulent repayments from HMRC. Revenue losses from this incident are estimated, to date, to be £48.8 million. We acted promptly to protect taxpayers' accounts, and no customers have experienced, or will experience, any financial loss in respect of their tax affairs as a result of this incident. More broadly, in 2024 to 2025, we prevented revenue loss of £2 billion through enhanced repayments and identity verification controls.

To further strengthen HMRC's resilience to identity-related fraud, we are developing a Fraud Prevention Centre (FPC), which is a multi-functional team led by HMRC's Security department, focusing on the continued protection, detection and response to identity-related security issues.

We work hard to protect the tax system, for example pioneering the use in government of technical controls to stop our helpline numbers being spoofed, so that criminals can no longer make it appear that they are calling from those HMRC numbers. Technical controls, together with HMRC's public advice on GOV.UK and elsewhere, have helped move the department from being the third-most-abused brand globally in 2015 to well outside of the top 100 now.

But we will not be complacent. We have a dedicated team working on cyber and phone crime around the clock, to protect the public and the integrity of the tax system. HMRC's Cyber Security Operations identify and close down scams every day.

Working with the Office of Communications, we report suspicious telephone numbers to telecommunication providers for removal. In 2024 to 2025, we responded to and intervened in 58,237 vishing (voice phishing) scams, which attempt to trick victims into giving up sensitive information over the phone. We've enhanced our anti-phishing tools to get even better at managing intelligence from multiple sources and further strengthen our response to criminals who pretend to be from HMRC. In 2024 to 2025, we took down 27,493 phishing websites, an increase on the total of 26,934 for 2023 to 2024. We also identified 813 HMRC-branded infringements on social media sites by unauthorised use of HMRC's name or branding, an increase from 671 in 2023 to 2024. We took corrective action to protect the public from being deceived into providing personal information to criminals masquerading as HMRC. We attribute this increase to our continual expansion of our proactive monitoring capabilities and the relationships built with social media providers.

+ Find out how to report phishing scams to HMRC at www.gov.uk/report-suspicious-emails-websites-phishing/report-scam-HMRC-emails-texts-phone-calls-and-letters

Modernising our systems

Modernising our systems will also improve their resilience and robustness, enabling us to better meet the needs of customers, collect the correct tax and duties payable and tackle non-compliance. We're focused on keeping our core operating systems up to date, while building the foundations for more expansive use of new technologies and exploiting the benefits of AI and other automation and intelligent systems. Our plans include:

- consolidating data distributed across legacy data warehouses into a cloud-based data system, which will support our generative AI activities and advanced analytics for compliance. This supports our compliance activity, as part of our work to close the tax gap
- accelerating the transformation of our infrastructure to enable better access and sharing of data, ensuring our networks and data are secure and that HMRC is protected from a multitude of ever larger and more sophisticated cyber-attacks, as a priority
- continuing to drive our ongoing programme of service modernisation, including a focus on decommissioning services that are no longer well used, as operational needs have evolved, removing reliance on legacy systems



Building a high-performing organisation, with a skilled and engaged workforce

“Building an engaged, empowered, and inclusive workforce is essential to achieving our aims, and I’m proud to be part of such a dedicated team here at HMRC.

I’ve only been here a short time but have already seen how the vision of becoming a trusted, modern tax and customs department is brought to life through our commitment to delivering against our people priorities.

Our people strategy ensures we have the right tools to succeed, and continuing to invest in our people can only help us continue the great work we’ve been doing across the department, from reforming and modernising how we do things, through to delivering an improved experience for our customers.”

Helen Pickles
Chief People Officer



Our overarching people strategy

To effectively close the tax gap, improve our day-to-day performance and modernise and reform the tax system, we need an engaged, empowered, and inclusive workforce.

This year we developed HMRC’s overarching People Strategy which sets out the 5 areas where we are focusing our efforts:

- learning, skills and capability
- change agility and leadership
- employee experience
- building a high-performing digital organisation
- resourcing and recruitment

Learning, skills and capability

Providing customers with accurate, consistent, and clear information, along with the right level of expertise are some of the standards within the HMRC Charter that customers expect from us. We’re prioritising building skills across our workforce and creating a continuous learning culture, to ensure we have capable and professional colleagues to deliver for our customers. Some of the ways we achieve this are through offering apprenticeships, online learning modules and accelerated development programmes.

In 2024 to 2025, we established the foundations for our Tax, Customs and Compliance Academy which launched in April 2025. This will support colleagues to build their capability in tax, customs, compliance and customer service and is at the heart of our commitment to power professional development and excellence, and to meet professional standards consistently in everything we do.

This year, we have significantly expanded our Digital Academy, integrating digital, data, and technology learning to enhance confidence, competence, and technical expertise across our workforce. In 2024 to 2025, we had over 237,000 visits to the HMRC Digital Academy site with over 80,000 courses completed, with 7,225 colleagues completing AI learning modules. These efforts are instrumental in advancing employees' digital skills and contributing to the modernisation of HMRC. We're also enhancing our technical professionalism through our growing relationship with The Chartered Institute for IT, for example by aligning our practices with their standards and actively engaging in their professional development programmes. This will help us deliver high-quality, future-ready solutions in line with best practices in the tech industry.

We have implemented a Technical Fluency Learning Pathway across HMRC, enabling colleagues to adapt to new tools and evolving work practices. This helps teams more confidently utilise the latest technologies, such as Artificial Intelligence, and cloud and digital workplace tools including Microsoft 365.

To achieve our goal of enhancing in-house technical capabilities, we have developed a series of learning hubs, including the data hub, digital sustainability hub, digital leaders hub, and Microsoft 365 hub. These are 'one-stop-shops' to enhance specific capabilities. Additionally, we have introduced the Government Digital and Data Profession Associate Membership Scheme and the Enterprise Talent Scheme. These programmes enable colleagues to acquire in-demand technical skills, offering career development opportunities and ensuring HMRC's technical capabilities are future-proof.

Award winning professions

Our professions ensure we develop specialist skills and knowledge in people, set standards and define career pathways. Below are some of the external nominations, awards and accreditations for our professions in 2024 to 2025:

- our Project Delivery Professional Excellence Team won the Infrastructure and Projects Authority's Advancing the Profession award. This recognises teams that have enabled the profession to evolve and develop, create exciting opportunities for those in the profession, and raise the quality of our project outcomes
- our Government Digital and Data Profession has been widely recognised winning Computing Security, Real IT and Woman in Technology awards, whilst our Head of Profession (the Chief Digital and Information Officer) was ranked sixth in the UKTech50 list of most influential figures in UK IT
- our Operational Delivery Professionals received multiple awards and nominations, including the Modern Civil Service award, won by the Child Benefit Modernisation Team
- our Legal Profession has achieved Lexcel accreditation for its Litigation department, which is the Law Society's quality mark for demonstrating excellence in client care, compliance and practice management

Change agility and leadership

Leadership development is a high priority for us so we can lead our people through organisational change to become more effective. Our bespoke Leadership Within the Enterprise programme supports senior leaders to develop their leadership skills, through modules on systems, strategic thinking and communicating with impact and influence. Since its launch, around 25% of our Senior Civil Service have participated in the programme.

Now in its fourth year, our Management Development Programme has helped to build management capability across HMRC and to develop skills for over 6,000 of our managers. Participants have reported a range of benefits including improved performance and productivity, improved team and colleague wellbeing and more effective remote management.

We are expanding our Manager Investment Programme, which launched in June 2022, to new managers in our Customer Service function. This year 161 participants completed the programme across 13 cohorts. We are now working to integrate this into our overall leadership and management offer across the department for all new managers and have planned cohorts for 2025 to 2026, including offering the programme to other parts of HMRC.

Employee experience

We remain committed to creating an inclusive, respectful and representative workplace for our colleagues. This supports us to attract and retain diverse talent from across all communities as a means of delivering better outcomes for the citizens we serve.

We are also committed to providing an attractive employment offer and have made our working arrangements and terms and conditions simpler, fairer and more consistent. This supports our ongoing efforts to improve how it feels to work in HMRC. Where roles allow, colleagues have the flexibility to work from home for part of their week, following the principles set out in our Balancing Home and Office Working policy.

We continue to develop our reward and pay strategy to attract the diverse and appropriately skilled workforce that we need. We have built on the investment made over the previous 3 years through our Pay and Contract reforms by paying an average award of 5% in 2024 to 2025 in line with the Civil Service Pay Remit Guidance.

Our regional centres provide our employees with modern, inclusive workspaces that support smarter working and innovation, and reflect our commitment to having a workforce that represents the communities we serve around the UK.

We expect to move into our new Newcastle Regional Centre location at Pilgrim's Quarter in 2027 and have announced that our new Portsmouth Regional Centre will be located at No.1 The Goodsynd, which we expect to be ready in late 2027.

Supporting colleague wellbeing

We recognise the importance of a culture that values diversity and supports the wellbeing of our people, and we aim to create an environment where everyone can work at their best and deliver effectively for our customers. In 2024 to 2025 we:

- expanded the services available through our employee assistance programme, which now includes career coaching session for colleagues, guided computerised cognitive behavioural therapy, where clinically recommended, and an enhanced health check
- recruited and trained an additional 82 Mental Health Advocates, bringing our total to 242, and conducting refresher training for 55 existing Advocates
- published new guidance on preventing and tackling sexual harassment in the workplace to incorporate Workers Protection Act legislative changes
- continued to make progress against our equality objectives, including taking targeted action to address unacceptable behaviour and reinforcing our position on not tolerating any form of bullying, harassment and discrimination
- refreshed our Workplace Adjustments policy to simplify processes for disabled colleagues and their managers, so that adjustments can be obtained as swiftly as possible, ensuring they are supported to perform to the best of their ability

Building a high-performing digital organisation

In 2024 to 2025, we continued to put in place new IT contracts that give colleagues better access to the latest technology and increase the long-term reliability and security of our IT infrastructure.

We have also established 'model offices' to implement and evaluate new technology and innovative approaches to service delivery. For example, the PAYE model office team in Manchester has been involved in designing an enhanced digital service for PAYE customers and in 2024 to 2025, the model office supported 34 initiatives. This included external outreach to support over 110,000 PAYE schemes, reaching over 4.5 million employees, aimed at reducing tax reporting errors. The team of frontline colleagues interacts with customers daily and provides insights and expertise to redesign operational processes, while ensuring digital services meet customer needs through real-time feedback.

Resourcing and recruitment

We have modernised recruitment by introducing innovative Artificial Intelligence products that simplify and improve the vacancy holder experience and reduce the time spent by hiring managers in the recruitment process. For example, we have built and introduced 'Skill Scribe' for hiring managers to make it easier to write adverts, interview questions and provide outreach support. We've also developed a regional insights tool that gives real time location information to aid with labour market analysis.

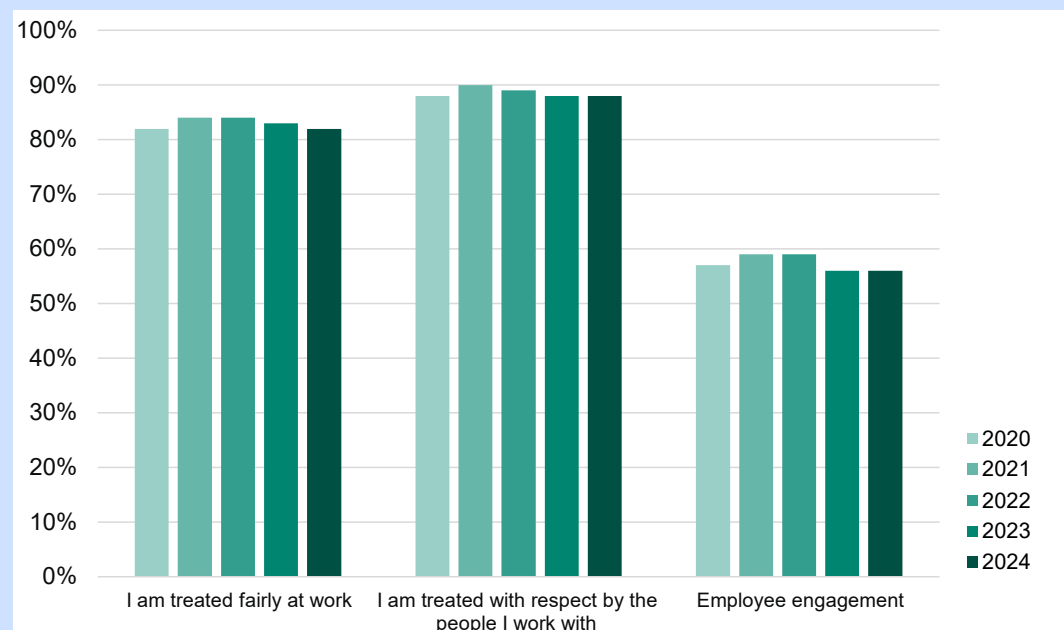
To allow large numbers of candidates to be reviewed more quickly, we improved processes and designed and delivered training sessions which will support our large-scale recruitment campaigns. We also embedded new policy guidance, first introduced in March 2024, to help hiring managers and colleagues apply reasonable adjustments at interview, helping to maximise the potential of everyone who applies for a role.

Figure 9: Employee Engagement Index and fairness and respect scores

We have invested heavily this year to drive improvements for our workforce and workplace, increasing access to a modern estate and providing our people with the tools they need. These improvements have maintained our Employee Engagement Index at 56% although engagement has trended downwards over the last five years, peaking at 59% in 2021 and 2022. The investments we are making are a positive step towards improving our engagement over time – working towards returning to, and improving on, previous highs.

Scores for 3 of the 5 core engagement questions have decreased slightly compared to 2023. Of these, the scores for colleagues feeling 'proud when they tell people they are part of the organisation' have decreased the most (2 percentage points decrease). However, scores for colleagues saying they would 'recommend HMRC as a great place to work' (53%) and saying they have a 'strong personal attachment to HMRC' (41%) have remained stable since 2023.

We are committed to having an inclusive and respectful workplace. 82% of colleagues said they were treated fairly at work and 88% said they were treated with respect by those they work with.



Combating internal fraud, bribery and corruption

We are alive to any internal threats and our zero-tolerance approach to fraud, bribery and corruption is set out in our 'Counter internal fraud, bribery and corruption' strategy, along with a policy and fraud response plan describing our response to these threats. Our Chief Digital and Information Officer has accountability for the policy, which applies to all our employees, suppliers, contractors and business partners. We continue to promote a culture where our colleagues feel safe to raise concerns of wrongdoing – for example through our 'in-confidence' anonymous reporting system.



Supporting wider government economic aims through HMRC's work

Alongside our main priorities of closing the tax gap, improving day-to-day performance and modernising and reforming tax and customs administration, HMRC supports the government's Plan for Change and wider economic aims, for example through our work to support trade at the borders.

"I'm incredibly proud of the work Borders and Trade carried out during 2024 to 2025 to move us towards our ambition of having a world class customs regime that supports UK growth.

We have reduced the requirements on traders by providing modern, digital customs systems – with 2024 to 2025 representing a key milestone when we took our legacy CHIEF system offline and moved all traders over to our robust, customer-focused Customs Declaration Service. And we've played a key role in Windsor Framework negotiations and delivery, ensuring that processes for Northern Ireland traders are simple and frictionless."

Carol Bristow

Director General, Borders and Trade and Head of the Tax Profession



Improving HMRC's customs regime

As the UK's customs authority and underpinned by our vision to be a trusted and modern tax and customs department, we continue to ensure the customs regime remains robust and effective to facilitate the smooth flow of legitimate trade. This involves close working with other government departments, agencies and wider industry. We are continuing to improve the stability and resilience of our systems, whilst focusing on easing the burden for our customers, improving services and simplifying processes. Collectively these priorities help ensure that our services can be trusted by our customers.

Delivering the UK's new single customs declaration platform

During 2024 to 2025, we worked closely with traders to support the migration of all import and export declarations from the legacy Customs Handling of Import and Export Freight (CHIEF) system to the Customs Declaration Service (CDS).

CDS is now the single customs platform for traders to make import and export declarations when moving goods into and out of the UK, handling around 78 million declarations in 2024 to 2025. The platform ensures the correct revenue is collected, is more robust, flexible and secure, and is built on modern cloud infrastructure which is better able to meet the evolving needs of both traders and government.

Our previous systems were successfully decommissioned ahead of schedule by December 2024, delivering around £27 million per annum of savings.

In 2024 to 2025, we continued to support security and biosecurity controls and promote a more efficient trading experience for businesses. This included supporting checks on food and animals by the Department for Environment, Food and Rural Affairs, as well as through the successful introduction of Safety and Security declarations on imports into Great Britain from the European Union in January 2025.

Streamlining processes for our largest importers and exporters

On 21 January 2025 we delivered the fifth phase of the New Computerised Transit System which removes the need for a paper declaration to accompany goods while moving them under transit, thereby simplifying the customer journey for around 550 companies who routinely move goods into, out of and through the UK.

We are now working to implement the next phase of changes that will allow the UK to continue to meet its commitments under the Common Transit Convention, which simplifies customs procedures for transporting goods between participating countries.

Implementing the Windsor Framework

In September 2023, we delivered phase 1 of our commitments under the Windsor Framework, replacing the UK Trader Scheme with the UK Internal Market Scheme (UKIMS), without disrupting the flow of goods into Northern Ireland. UKIMS ensures that goods that stay in the UK are free from unnecessary paperwork, checks and duties.

Following a delay from 30 September 2024 to allow businesses adequate time to prepare for the changes, new customs arrangements for goods moving from Great Britain to Northern Ireland via parcels and freight under the Windsor Framework were implemented from 1 May 2025. Our priority was to ensure a smooth transition that minimised disruption for all stakeholders, and we worked with businesses to ensure that they had the necessary information and support to adapt to the new arrangements effectively.

These measures ensure that goods that remain in the UK's internal market no longer require full customs declarations and continue to move without paying duty. Parcels moving directly to consumers in Northern Ireland do not require customs declarations, safety and security declarations or duties. HMRC systems are operating as planned and we remain closely engaged with business groups to provide support on an individual basis as required.

We continue to support traders moving goods between Great Britain and Northern Ireland through the free-to-use Trader Support Service (TSS). The TSS provides guidance on how to move goods into and out of Northern Ireland and can submit data to HMRC systems on traders' behalf. The TSS supports over 88% of goods movements between Great Britain and Northern Ireland. As of March 2025, over 61,000 businesses have registered for the TSS, and it has processed over 6.2 million consignments on behalf of traders. The current TSS contract ends on 31 December 2025; the government is committed to providing ongoing support for traders and in February 2025, published the procurement opportunity for the next phase of the TSS from 2026.

Freeports across the UK

Freeports (known as Green Freeports in Scotland) are areas within the UK that offer tax reliefs and customs benefits to eligible businesses, including importing certain goods with simplified documentation and with the suspension of tariffs. As of 31 March 2025, the HMRC Freeport Programme had successfully delivered its goals, contributing significantly to the establishment of all 12 UK Freeports, offering relevant guidance, IT processes, authorisations, site designations, bespoke communications products, and tailored engagement throughout the year.

Delivering financial support

As well as supporting trade, we play a vital role in giving individuals and families financial support.

Child Benefit and Tax-Free Childcare

In 2024 to 2025, we provided Child Benefit to 6.9 million eligible families, supporting around 11.9 million children. This includes the awarding of 825,532 new claims, 83% of which were submitted through our online service. HMRC also administers Tax Free Childcare (TFC) and Free Childcare for Working Parents (FCWP). FCWP's eligibility was further expanded in 2024 to 2025 to provide eligible parents of children aged from 9 months to 2 years with 15 hours of funded childcare support. Approximately 826,000 families used TFC for 1,085,000 children in 2024 to 2025.

Tax credits closure

HMRC has administered tax credits since its introduction in 2003, supporting over 6 million low-income individuals and families at its peak and helping to ensure that work pays more than welfare. In 2019 we began the managed migration of eligible customers to Universal Credit (UC) and later, Pension Credit (both of which are administered by the Department for Work and Pensions, or the Department for Communities for customers who live in Northern Ireland). In 2024 to 2025, we completed the closure of tax credits, with most of the 650,000 customers migrated to UC or Pension Credit and the remaining 2,200 customers having their awards ended by 5th April 2025.

Protecting tax credits and Child Benefit from error and fraud

Our approach to tackling error and fraud for HMRC's welfare products focuses on prevention – guiding customers to meet their obligations and manage their awards more effectively through strong pre-award controls, improved education and more efficient processes for customers to reconfirm their continued eligibility.

Our compliance strategy remains focused on the predominant cause of error and fraud, addressing unreported changes in circumstance. In 2024 to 2025, we agreed three new data shares with other government departments to help detect such changes. To support this, the government announced at Autumn Budget 2024 that it is investing in 180 new counter-fraud staff, which will increase HMRC's capabilities to tackle error and fraud in Child Benefit (and Childcare Services). We expect this to deliver a net saving of £355 million from 2025 to 2026 to 2029 to 2030.

Read more on the estimated levels of error and fraud for tax credits and Child Benefit from page 105.

Research and Development tax reliefs

Kickstarting economic growth sits at the heart of the government's Plan for Change, and HMRC is helping to create the right conditions for businesses to thrive. One of the ways we're doing this is through administering Corporation Tax Research and Development (R&D) tax relief schemes. Expenditure on R&D reliefs during the year 2024 to 2025 was £8.2 billion, which supported companies working on innovative projects in science and technology. It is important that the support these schemes provide is timely and effectively targeted, and that we actively balance our work to reduce error and fraud with the need to pay legitimate claims promptly. We exceeded our published aim to process 85% of claims within 40 days during 2024 to 2025, achieving 90% during this period.

The merged R&D Expenditure Credit and the Enhanced R&D Intensive Support (ERIS) have been in operation since April 2024. These reliefs replaced the previous small and medium-sized enterprise (SME) scheme and Research and Development Expenditure Credit (RDEC) with a new single expenditure credit scheme for companies of all sizes, and enhanced support for R&D intensive loss-making SMEs.

This is the third year that we have produced an error and fraud estimate for claims from SMEs using a mandatory random enquiry programme (MREP). This is the first MREP estimate that takes account of policy and operational changes made since 2022 in response to the levels of error and fraud. These changes included the introduction of the Additional Information form in August 2023 and increased compliance activity.

The overall estimate of the level of error and fraud in Corporation Tax R&D tax relief schemes in 2022 to 2023 is 9.9% (£759 million) of the estimated cost of the reliefs. The level of error and fraud in 2022 to 2023 is estimated as 14.7% (£652 million) for the SME scheme and 3.3% (£107 million) for RDEC. Expenditure on R&D reliefs during the year 2022 to 2023 was £7.7 billion (see note 4.1.5 on page 252 in the Resource Accounts for further detail).

This is a reduction in the level of error and fraud of 7.7 percentage points (£578 million) overall and 11.1 percentage points (£551 million) for the SME scheme when compared to 2021 to 2022, before policy and operational changes were made.

This is the first year in which error and fraud has been estimated on an accruals basis to align with our accounts. Previously, estimates of error and fraud were based on expenditure included in claims received in the year of reporting, regardless of the year in which that expenditure was incurred and could therefore include expenditure which related to several years prior. For the 2022 to 2023 estimate, only expenditure incurred in the accounting periods ending within 2022 to 2023 is included. The final 2022 to 2023 estimate is based on a weighted average of the error and fraud rates from the last two MREPs. The most recent MREP only covers relevant claims received after the introduction of the Additional Information form on 8 August 2023. Therefore, we have assumed that claims which relate to 2022 to 2023 received prior to 8 August 2023 have the same inherent error and fraud as that reported for last years' MREP.

We have also considered the impacts of policy and operational changes made to address error and fraud for expenditure in 2023 to 2024 and 2024 to 2025. For illustrative purposes, we estimate that error and fraud for expenditure in 2023 to 2024 has reduced to an overall level of 6.5% (£497 million), and to 11.7% (£370 million) for the SME scheme. For 2024 to 2025, error and fraud for expenditure has reduced to an overall level of 5.9% (£481 million), and to 10.6% (£339 million) for the SME scheme. Read more about the calculation of the 2023 to 2024 and 2024 to 2025 estimates from page 105.

In October 2024, we published the Approach to Research and Development tax reliefs 2023 to 2024. This report set out an update on the scale and shape of error and fraud in the R&D schemes, action taken to date, and the impacts seen so far.

HMRC's approach to managing the R&D tax reliefs is based on our overall compliance strategy of preventing error and fraud from entering the system, promoting compliance, and responding to non-compliance where it happens. This includes taking firm action against agents who have sought to abuse the relief and undertaking education campaigns for businesses to increase overall awareness of the conditions for eligibility.

In October 2024, the government also published the Corporate Tax Roadmap which set out the government's corporate tax plans for this Parliament to provide certainty for businesses. This included a number of commitments on R&D, including maintaining the generosity of the reliefs whilst also delivering on commitments aimed at improving the administration of the scheme. This includes launching the R&D Disclosure Facility, publishing a consultation on widening the use of advance clearances and establishing an R&D Expert Advisory Panel to help provide insights into cutting-edge R&D and enhancing HMRC's understanding of innovation and developments across various sectors.

+ Read HMRC's approach to R&D tax reliefs– October 2024 report at www.gov.uk/government/publications/hmrcs-approach-to-research-and-development-tax-reliefs-2023-to-2024/approach-to-research-and-development-tax-reliefs-2023-to-2024

Protecting society from harm

Our enforcement activity helps support wider government economic aims by levelling the playing field for businesses and protecting individuals. We remain committed to our statutory responsibility as a supervisor to protect the UK against the risk of money laundering, terrorist financing and proliferation financing, by improving compliance with Money Laundering Regulations in the sectors for which we are responsible. In 2024 to 2025, we delivered 3,006 supervisory interventions, suspended, or cancelled the registration of 59 businesses, refused 485 applications to register and issued 739 financial penalties for non-compliance worth £5.1 million.

It is a requirement that all businesses, irrespective of size or business sector, pay their workers at least the correct National Minimum Wage (NMW). HMRC enforces NMW on behalf of the Department for Business and Trade and in 2024 to 2025 proactively engaged over 12.1 million employers, workers, and their representatives, so they understand their obligations and educated workers to know their rights and how to complain. If anyone believes they are not receiving at least the minimum wage they can contact the Advisory, Conciliation and Arbitration Service or send a query online at www.gov.uk/government/publications/pay-and-work-rights-complaints. We consider every complaint made.



This year we completed 4,764 interventions and spoke to 1,806 employers about their business practices and potential risks to NMW compliance. Through our proactive enforcement and supportive compliance, we found arrears of £5.78 million for more than 25,000 workers.

Compliance in COVID-19 financial support schemes

HMRC remains committed to COVID-19 scheme compliance activity and will continue to prioritise and pursue the most serious cases of abuse.

Since the start of the schemes and up to the end of March 2025, our compliance effort on the HMRC-administered COVID-19 schemes had prevented the payment, or recovered overpayment, of over £1.7 billion worth of grants, which includes £25.3 million recovered during 2024 to 2025. By the end of March 2025, we had opened 53 criminal investigations into suspected fraud within the schemes and made a total of 99 arrests. There have been 4 convictions so far. Further ongoing criminal investigation activity has yet to be concluded within the criminal justice system and is subject to those timescales.

Supporting government priorities

We hold one of the UK's largest repositories of data and play a crucial role in cross government data sharing. We can use this to help support the government's Plan for Change, by taking a leading role in cross-government programmes to make the state more modern and efficient, whilst helping to improve the customer experience and join up government services.

We already share significant volumes of data with other government departments, devolved governments and public bodies using over 250 legal gateways. Examples of data shares delivered in 2024 to 2025 include:

- working with the Office for National Statistics (ONS) to support their business-critical work improving their UK-based population and UK economics statistics, and making data available to accredited researchers
- partnering with the Department for Work and Pensions (DWP) to share benefits data, supporting customers to move from Tax Credits to Universal Credit, speed up fraud investigations and resolve changes in personal circumstances which impact customer claims during 2024 to 2025
- partnering with DWP to help automate benefits claims handling and decision-making for their Bereavement Payment Support Service; streamlining this public-facing service for families during difficult times
- working with several government departments and public bodies to support tackling fraud in the public sector

We are also working to simplify and modernise tax administration, so that businesses can spend their time growing their business and contributing toward the economic growth that is at the heart of the government's Plan for Change. Read more about how we're simplifying and modernising tax administration, including how Making Tax Digital for VAT is saving businesses time, from page 37.

We work with other UK government departments and devolved governments to understand the tax, tax credits and National Insurance implications of a range of policies, including support and compensation schemes for people, to ensure that all liabilities are understood during the policy making process.

Supporting devolved governments

We work right across the UK, supporting the Westminster and devolved governments. We administer Income Tax on behalf of the UK, Scottish and Welsh governments and work closely with the devolved revenue authorities in Scotland and Wales to support each other in administering the taxes for which we each have responsibility. We consider the impact on devolved nations and their policies when developing our own policies.

Looking to the future

Through our core purpose, HMRC enables the delivery of vital public services and our Spending Review 2025 settlement reflects the importance of the work we do - whether that's supporting economic growth, protecting society from harm or providing financial support to millions of people and businesses. From modernising our customs systems to supporting Freeports and tackling fraud, our work underpins the government's Plan for Change. We are proud of what we have achieved this year – but there is more to do. We remain committed to working collaboratively across government and with our stakeholders to deliver a trusted, modern tax and customs system that meets the needs of the UK.



John-Paul Marks

Chief Executive and First Permanent Secretary

15 July 2025

Financial review

This financial review covers our financial performance in 2024 to 2025, setting out our funding, what we spent our money on, trends within tax revenues and how we continued to ensure we use public money appropriately and responsibly.

“HMRC’s core purpose remains as important as ever. Every pound we collect is helping to power vital public services, such as the NHS and the Police – and I’m proud of the progress we’re making in doing this cost-effectively, improving compliance whilst increasingly becoming a digital-first organisation.

In 2024 to 2025, our expenditure of £6,562 million enabled us to generate £875.9 billion in tax revenue, pay out £27,775 million in support payments to customers and keep the tax gap low at 5.3%. It costs just half a penny to collect each pound of tax revenue and we delivered new and sustainable efficiencies of £216 million in 2024 to 2025.

Throughout the next year, we will continue building a more effective, agile and digitally focused HMRC, that underpins the government’s plans.”

Justin Holliday
Chief Finance Officer



Budgetary framework

HM Treasury sets the budgetary framework for government spending. Within this, we are given our own Supply Estimate, which sets our proposed maximum spending and is voted on by Parliament at the start of the financial year.

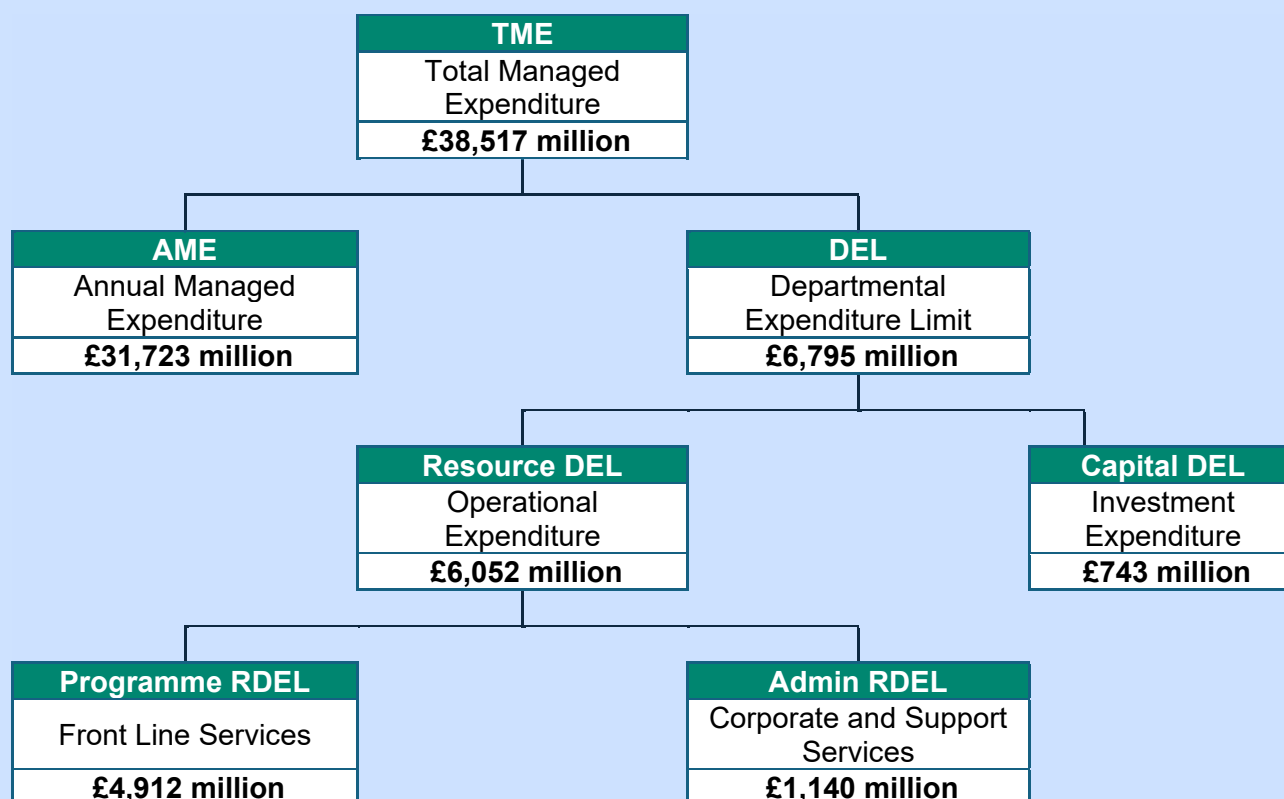
The total amount we spend as a government department is known as Total Managed Expenditure (TME). In 2024 to 2025, our TME was £38,517 million. This funding is subject to strict HM Treasury controls and consists of budgets voted by Parliament and budgets where appropriation is covered in other legislation (including tax credits, other reliefs and allowances and the National Insurance Fund).

Figure 10 shows how TME is split into Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) budgets, where DEL sets our budget for controllable expenditure and AME covers our more flexible budgets for volatile or demand-led expenditure.

Within our DEL budgets we have ringfences against some programmes where we receive budget for a specific policy measure, which we can only spend on that measure. This is referred to as the HM Treasury policy ringfence. Resource DEL (RDEL) includes day-to-day resource and administration costs, and Capital DEL (CDEL) is our investment expenditure.

AME spend may be unpredictable and is more challenging to control, so it requires careful monitoring. HM Treasury reviews these budgets annually and we base our forecast on published Office for Budget Responsibility data.

Figure 10: Our budgetary framework¹



¹ Numbers may not to sum due to rounding

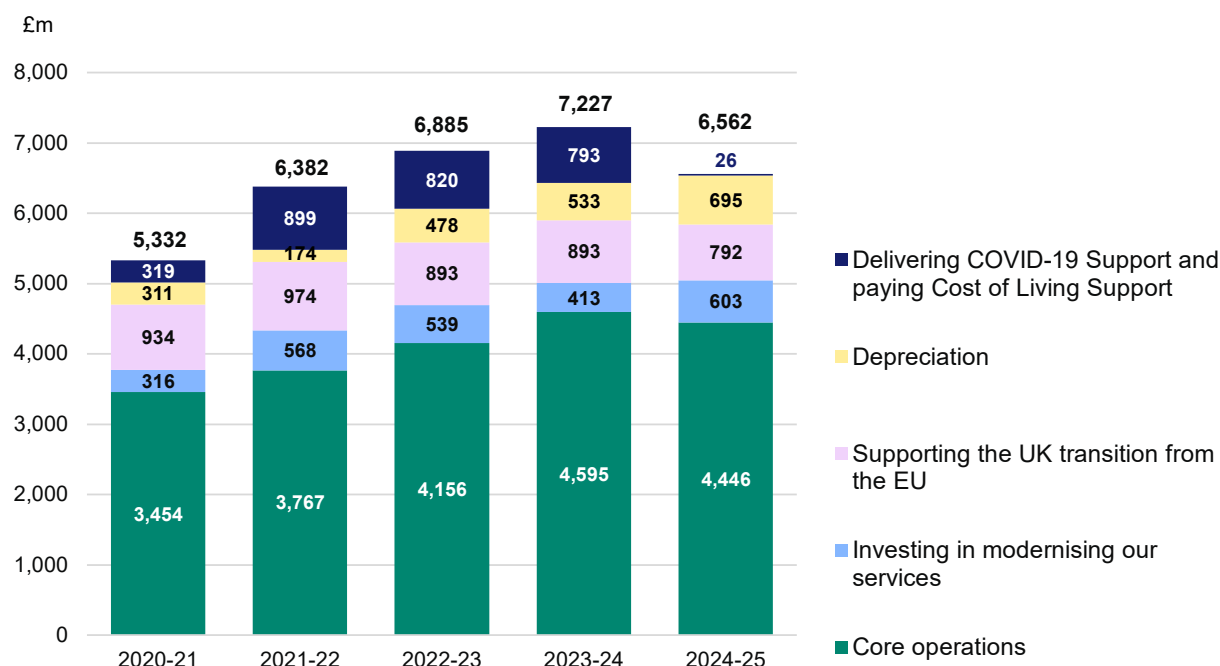
What we spend our funding on

Table 1 and figure 11 show our spending pattern over the last 5 years split by spend type.

Table 1: 5-year trend on our spending¹

£ million		2020-21	2021-22	2022-23	2023-24	2024-25
Expenditure	RDEL	4,795	5,717	6,329	6,502	5,834
	CDEL	537	665	556	725	728
	TDEL	5,332	6,382	6,885	7,227	6,562

¹ Numbers may appear not to sum due to rounding.

Figure 11: 5-year trend on spending – Total DEL¹

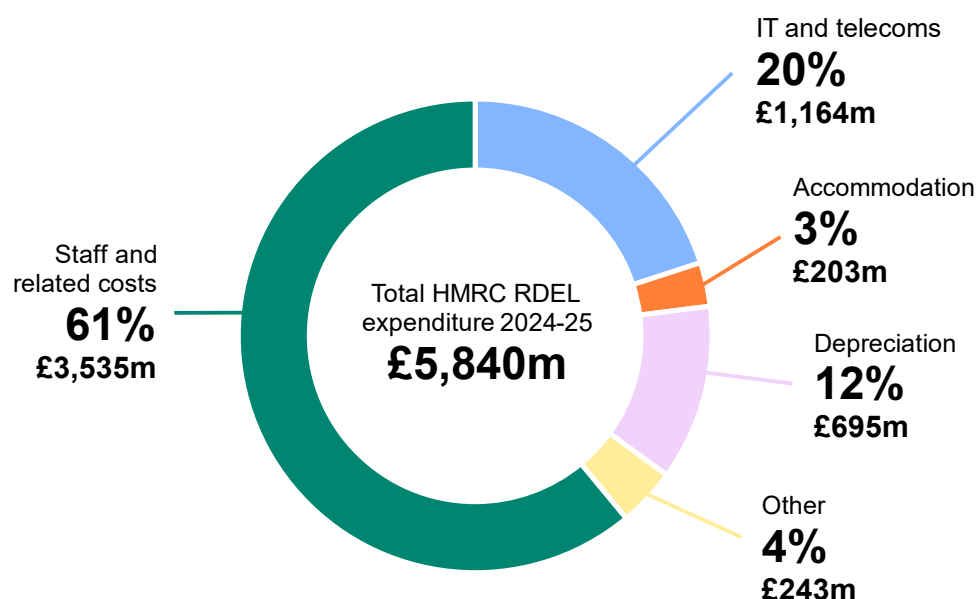
¹ Numbers may appear not to sum due to rounding.

In 2024 to 2025 we spent £6,562 million total DEL, which included £4,446 million on our core operations, delivering the resources and systems we need to collect tax and maintain a low tax gap. This allowed us to deliver compliance yield this year of £48.0 billion (read more on page 16). We have also invested in additional resource for customer service, which helped us to improve our telephony performance in 2024 to 2025, compared to 2023 to 2024 (read more on page 30).

We spent £603 million investing in the modernisation of our services to improve the customer experience, reduce burdens on business, and improve tax compliance. This activity also contributed £50 million in new efficiency savings through modernising our legacy IT estate and replacing existing IT contracts with new, more efficient services and suppliers (read more about how we deliver efficiency savings on page 63).

Figure 12 shows our RDEL expenditure in 2024 to 2025 split by spend type. Our cost base is largely fixed, especially in the short term, leaving limited areas for managing our spend outside of staff costs.

Figure 12: Total HMRC Group RDEL expenditure in 2024-25 by spend type¹⁻⁴



1 Numbers may appear not to sum due to rounding.

2 HMRC Group includes VOA figures.

3 Other includes income.

4 Total excludes the Cost of Living Payments.

Variances between budget and expenditure

Table 2: 2024-25 Financial performance¹

£ Million	Budget	Expenditure	Expenditure v Budget	Underspend on ringfences	Position excluding ringfence underspend	Position excluding ringfence underspend %
RDEL	6,052	5,834	-218	165	-54	-0.9%
CDEL	743	728	-15	8	-7	-0.9%
TDEL	6,795	6,562	-233	173	-61	-0.9%

1 Numbers may appear not to sum due to rounding.

Table 2 shows our financial performance in 2024 to 2025, where we underspent by £233 million, the equivalent of 3% of our TDEL budget. When excluding our budgets under HM Treasury policy ringfences (referenced in the Budgetary Framework section), we had an underspend of 0.9%.

Against our Resource DEL budget of £6,052 million, we underspent by £218 million. When excluding underspends in HMT ringfenced budgets, the underspend was £54 million (0.9%). This underspend was influenced by several factors, including variances in cost estimates, reductions in office running costs, lower than anticipated travel and subsistence expenses, and the lifting of certain programme ringfences in the second half of the year, which were not available for alternative use earlier.

Against our Capital DEL budget of £743 million, we underspent by £15 million. When excluding underspends in HMT ringfenced budgets, the underspend was £7 million (0.9%). The underspend was mainly attributable to project slippage, where the timeline for delivering some of our programmes changed, which altered the profile of our spending in 2024 to 2025.

Trends in Annually Managed Expenditure (AME)

In 2024 to 2025, we spent £27,775 million, against a budget of £31,723 million, on annually managed expenditure. This was an underspend of £3,947 million. Any underspend is returned to HM Treasury. Table 3 and figure 13 show our AME spending pattern, over the last 5 years split by spend type.

Overall, 48% of our AME expenditure was on Child Benefit payments, totalling £13,303 million in 2024 to 2025. Total payments have increased compared to the previous year, driven by the increase to the High Income Child Benefit Charge threshold that came into place from April 2024.

We spent £10,128 million on reliefs and allowances which includes Corporation Tax reliefs, primarily for research and development relief and film tax relief. This made up 36% of our AME expenditure.

Our AME budgets are more flexible as they provide funding for volatile or demand-led expenditure, which is more difficult to control. A key factor for our underspend was lower spending on tax credits due to the migration of claimants onto Universal Credit. There was also a slight underspend within Child Benefit, where expenditure was lower than we had forecast when the budget was set. Other reliefs and allowances related to Corporation Tax reliefs expenditure were also less than budgeted.

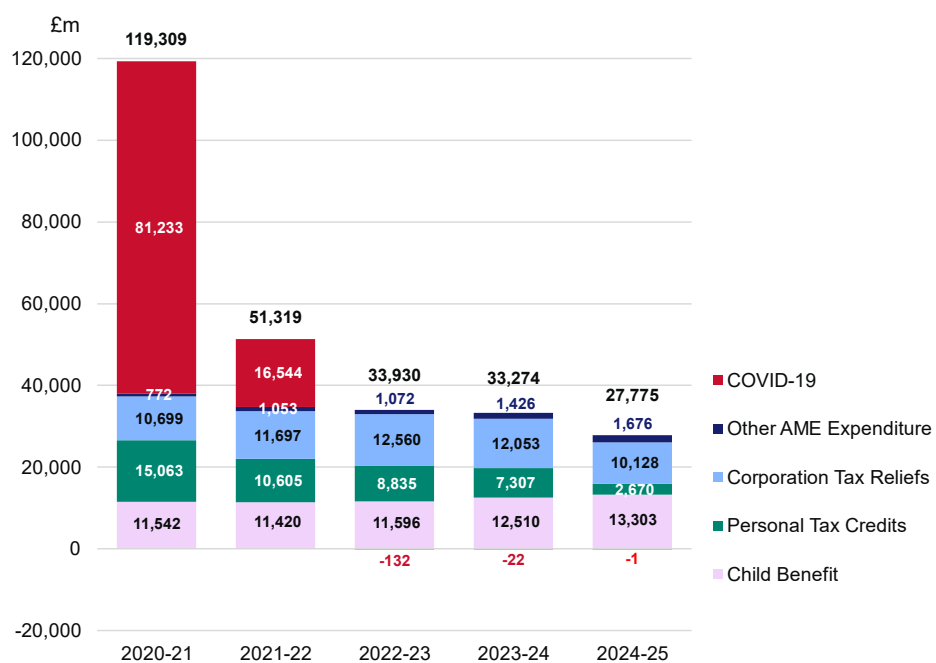
+ Read more on AME expenditure in our Resource Accounts and subsequent notes, starting on page 227.

Table 3: 5 year trend on our AME funding and expenditure¹

Total Annually Managed Expenditure £ million	2020-21	2021-22	2022-23	2023-24	2024-25
Funding	165,126	59,069	38,162	36,380	31,723
Expenditure	119,309	51,319	33,930	33,274	27,775
Expenditure vs Budget	-45,817	-7,750	-4,232	-3,105	-3,947

¹ Numbers may appear not to sum due to rounding.

Figure 13: Total AME 5 year expenditure trend¹



¹ Numbers may appear not to sum due to rounding.

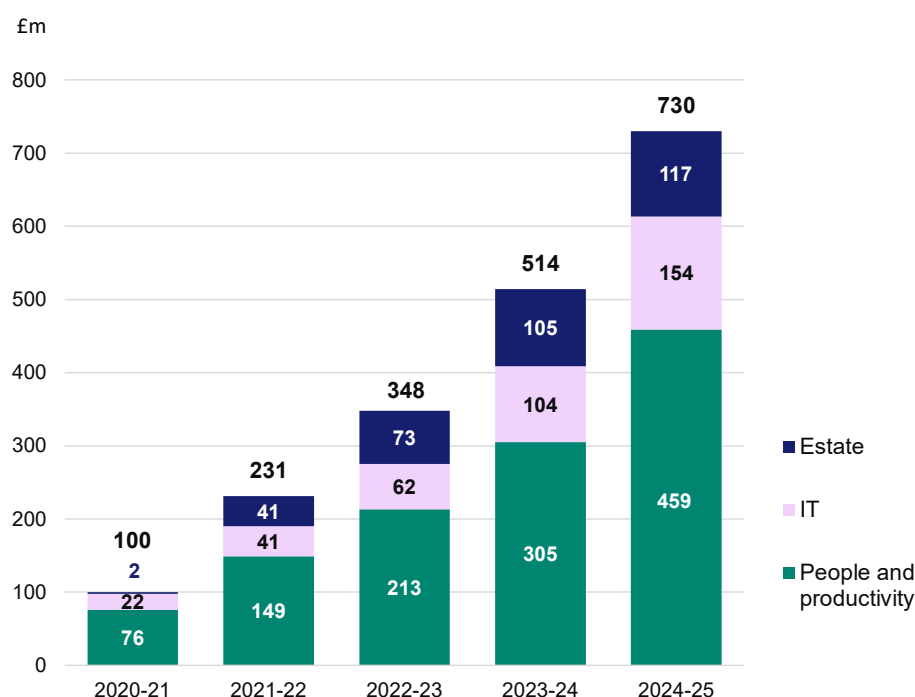
How we delivered value for money

We have a duty to use public money responsibly and we demonstrate value for money in several ways – for example, by comparing the tax revenue we collect with the cost of collecting it and by achieving efficiency savings to reduce our costs.

Our progress in delivering efficiencies

We achieve sustainable efficiencies when we improve how we carry out a process or activity to deliver a permanent cost reduction, while maintaining or improving existing performance levels. Our track record of delivering efficiencies is strong. In the 5-year period since 2020 to 2021 we have delivered total sustainable efficiencies of £730 million – as a result, our costs are £730 million lower in 2024 to 2025 than they would otherwise have been.

Figure 14: 5-year view of cumulative sustainable efficiencies



In 2024 to 2025, the third and final year of the current Spending Review period, we delivered new sustainable efficiencies of £216 million. We achieved these, broadly, through delivering people and productivity improvements, modernising our IT systems, and by reducing the costs associated with maintaining our physical estate.

Modernising our IT estate and replacing existing IT contracts with new, more efficient services and suppliers delivered £50 million of efficiency savings in 2024 to 2025. We also saved £12 million by optimising our use of office space and sub-letting to other government departments. We delivered £154 million through people and productivity savings – for example, by tackling compliance risks more effectively.

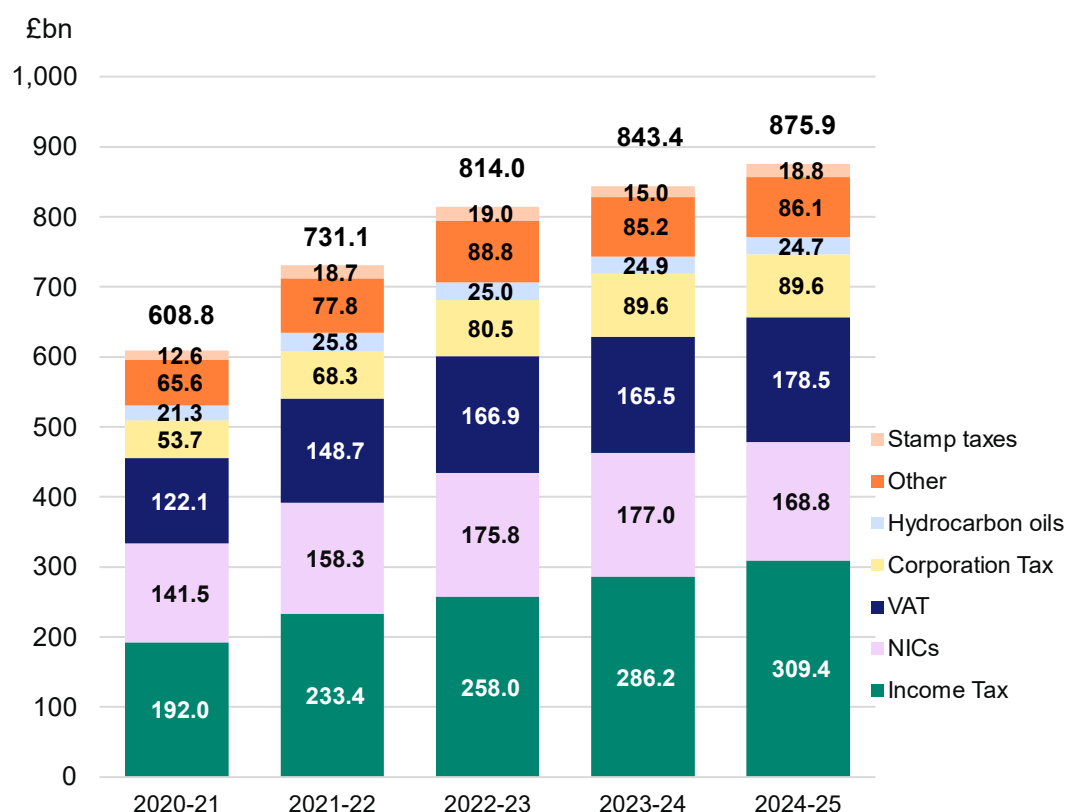
Our Spending Review 2021 settlement required cumulative efficiency savings of £500 million per year from 2022 to 2023 to the end of 2024 to 2025. The impact of pressures such as inflation required us to find further savings to stay within budget, resulting in a revised target of £719 million by the end of 2024 to 2025, which includes one off savings. Against this target, we delivered final efficiencies and one-off savings of £724 million.

4 ways we delivered sustainable efficiencies

- Our Single Customer Account (SCA) programme delivered efficiency savings of £13 million in 2024 to 2025, primarily due to speeding up accurate tax code notification for new starters, significantly reducing ‘pay shock’ where individuals receive much lower take home pay than expected. This has reduced the number of calls we’ve handled relating to incorrect new starter tax codes
- We delivered efficiency savings of £9 million through standardising forms, increased use of robotics and automation, and guidance improvements by directing customers to go online where they can, rather than rely on post and telephony services
- We delivered £38 million of efficiency savings in 2024 to 2025 by tackling compliance risks more effectively and supporting customers to get their tax affairs right at the outset
- We delivered £11 million in savings by reviewing our IT systems and licences, negotiating contracts to reduce costs

Tax revenues

Total tax revenues represent all money HMRC received (or was due to receive), less any money that we owed or repaid. They are driven by various factors, for example the overall level of activity in the economy and the rates of taxation, allowances and reliefs set by Parliament. Tax revenues are based on when a tax liability accrues. This is different to tax receipts, which are based on when a payment for a tax liability is received by HMRC. Figure 15 shows total tax revenues between 2020 to 2021 and 2024 to 2025.

Figure 15: Total tax revenues¹

¹ Numbers may appear not to sum due to rounding.

During 2024 to 2025, we generated total revenues of £875.9 billion, £32.5 billion more than the previous financial year. Overall tax revenues have continued to increase, driven by economic factors such as growth in wages, profits and inflation as well as continued growth in the number of taxpayers within the tax system.

Income Tax revenues increased by £23.2 billion (8.1%) compared to 2023 to 2024, reflecting growing employment and average earnings growth. The Office for Budget Responsibility note that policy changes, including the decision to freeze some tax allowances and thresholds, boosted revenues.

National Insurance contributions decreased by £8.2 billion (4.6%) compared to 2023 to 2024 due to a reduction in some rates applicable to employees.

Corporation Tax revenues were unchanged compared to 2023 to 2024, and VAT revenues rose by £13.0 billion (7.9%) compared to 2023 to 2024.

Stamp tax revenues rose by £3.8 billion (25.3%). This rise reflects a recovery in the housing market, elevated revenues due to policy decisions at Autumn Budget 2024, as well as increased activity ahead of the decrease in nil-rate stamp duty (SDLT) thresholds in April 2025.

For more information on changes to tax revenues, please see page 199.

+ Read more on tax receipts over time in our annual bulletin of HMRC tax receipts and National Insurance contributions at www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/hmrc-tax-receipts-and-national-insurance-contributions-for-the-uk-new-annual-bulletin. Tax receipt data for 2024-25 is provisional until Summer 2025. Please note: receipts are on a cash basis and so represent when a payment for a tax liability is received by HMRC. This is different to tax revenues which are based on when the tax liability accrues.

Cost of collection

Table 4 shows that in 2024 to 2025, the cost of collection was 0.51 pence for every pound we generated in tax revenue, maintaining the amount it costs us at around half a penny for every £1 collected.

There are many factors that impact the cost of collection and the cost this year reflects an increase in expenditure which is offset by an increase in revenue. Our expenditure has increased due to investment to support the delivery of our priorities and the factors that have impacted tax revenue are set out on page 65 and 199.

Table 4: Cost of collection trends from 2020-21 to 2024-25¹

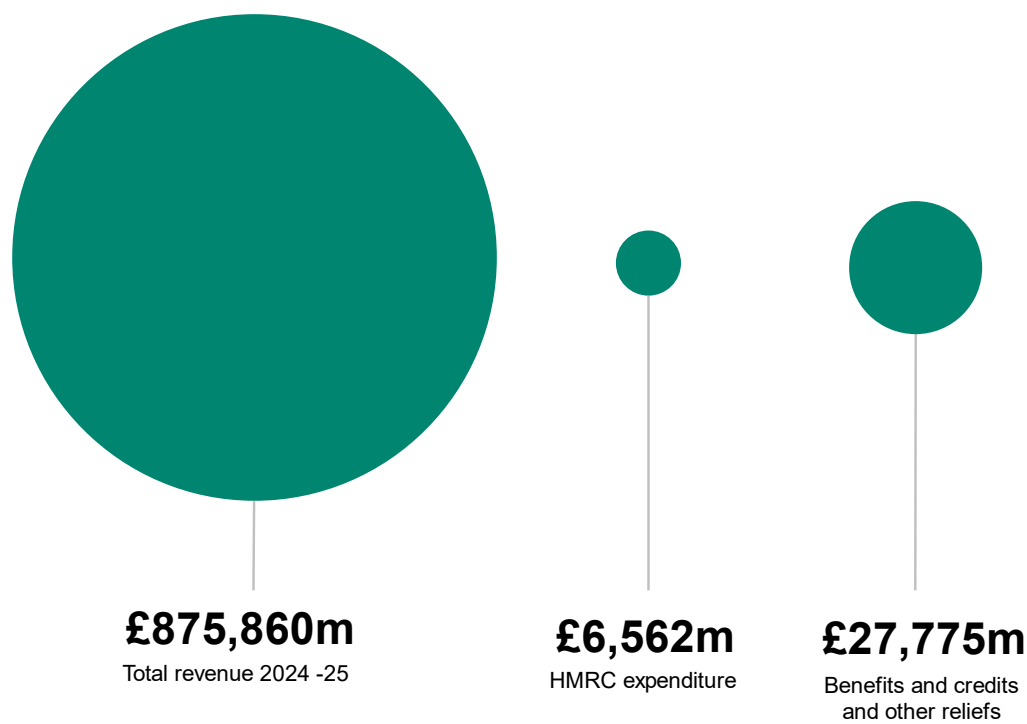
	2020-21	2021-22	2022-23	2023-24	2024-25
Total cost of collection (pence)	0.51	0.50	0.51	0.51	0.51

¹ A change to the methodology for the overall cost of collection has been made in 2021 to 2022 and the ratio is now shown net of Customs & International Trade.

Our spending compared to total tax revenue in 2024 to 2025

Figure 16 shows what it cost to run HMRC in 2024 to 2025. For our expenditure of £6,562 million, we generated £875.9 billion of revenue for the UK’s public services and provided £27,775 million in financial support for tax credits, Child Benefit and other reliefs.

Figure 16: Total expenditure relative to total revenue



Sustainability Review

“The government is committed to accelerating progress to net zero, and I’m proud of HMRC’s role in this transition. This year marks the final year in the current set of Greening Government Commitments, during which we have made significant progress, in particular, on reducing greenhouse gas emissions by 66% against our 2017 to 2018 baseline (see figure 17 on page 68). This gives us a strong footing as we progress towards our goal of being a net zero carbon organisation by 2040.”

Andrew Pemberton

Chair of HMRC’s Sustainability Board



Becoming more sustainable

We measure our performance against Greening Government Commitments, assessing our impact on the environment and our organisational sustainability. The commitments provide a framework for departments to reduce their environmental impacts between 2021 and 2025, compared against the baseline year of 2017 to 2018.

How we are performing

HMRC’s Sustainability Board acts as guardian of the organisation’s Sustainability Strategy, ensuring it remains systemic and fit for purpose, relevant and instrumental to building a trusted and modern tax and customs department in the UK.

Our network of modern regional centres has helped us to reduce our carbon footprint and water-usage, increase recycling and reduce the waste we send to landfill. Our regional centres all have an Energy Performance Certificate rating of B or higher and achieved a Building Research Establishment Environmental Assessment Method (BREEAM) rating of ‘excellent’ or ‘very good’. Although we don’t own or control significant natural capital, this year we developed a nature recovery plan, the HMRC Nature Strategy, to identify the areas where we can reduce negative environmental impacts of our estate and the opportunities to improve biodiversity. We have also carried out Climate Change Risk Assessments across our estate and developed a Climate Change Adaptation Plan.

We make sure our contracts adhere to Government Buying Standards and encourage our suppliers to go beyond the minimum requirements. We require suppliers for in-scope contracts to provide a Carbon Reduction Plan confirming their commitment to achieving net zero. We also assess the social value of our contracts, with all our procurements including a minimum 10% weighting allocated to social value, environment and sustainability, in line with government guidelines.

We are making good progress towards eliminating consumer single-use plastics from our estate and work with suppliers to seek more environmentally friendly alternatives. For example, we have implemented ‘bring your own cup’ discount schemes across our estate to reduce the use of single-use cups, and coffee cup recycling schemes are also in place.

We recognise that a significant proportion of our emissions lie in our supply chain and we are increasing our efforts to understand and reduce these emissions. This year, we introduced a new tool to better track Environmental, Social, and Governance risk and compliance across our supply chain, helping us to drive positive impact at scale, by working collaboratively with our suppliers towards net zero. Additionally, we integrated mandatory carbon reporting in our standard terms and conditions and developed an educational module for suppliers to upskill them on reporting requirements.

+ For further detail on our performance against our Greening Government Commitment targets, see Annex 3 on page 283.

Figure 17: Greenhouse gas emissions (Greening Government Commitment)

Our target for greenhouse gas emissions combines emissions from our buildings and domestic business travel. We have achieved a 66% reduction from our 2017 to 2018 baseline, due to our move from legacy offices into more energy-efficient regional centres and our continued efforts to reduce business travel.

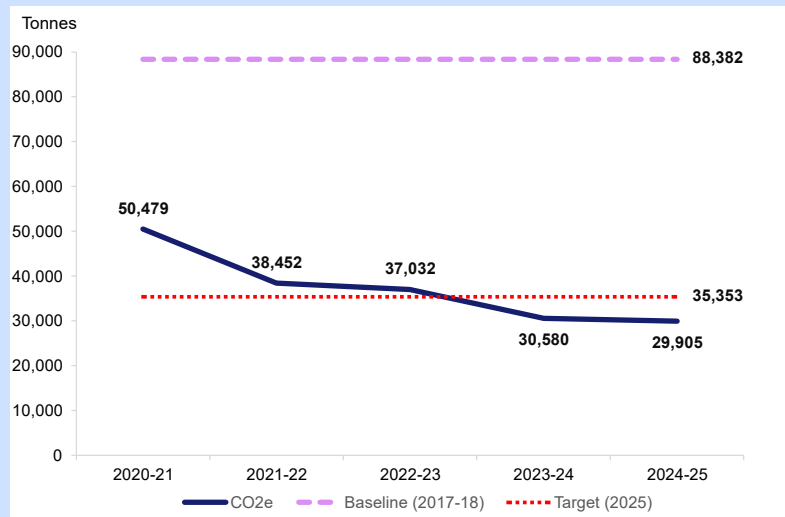


Figure 18: Waste generated

The 70% reduction in waste generated, from our 2017 to 2018 baseline, has been achieved through smarter waste management, behaviour change, reductions in paper use and IT efficiencies.

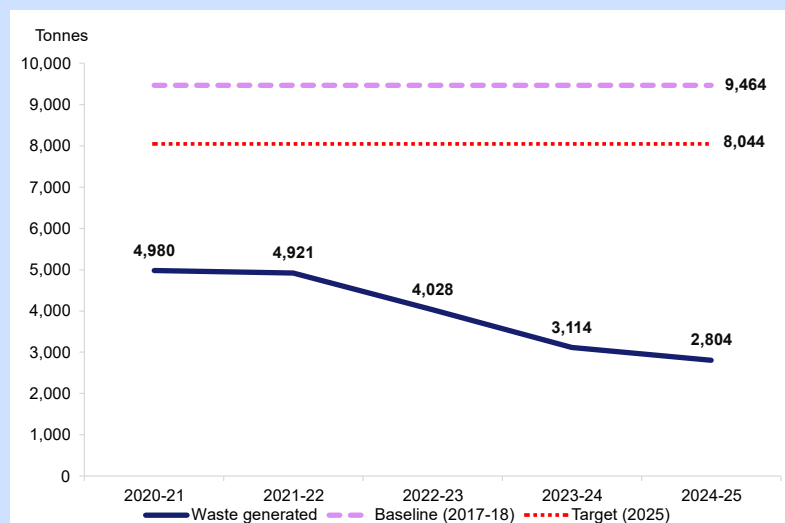
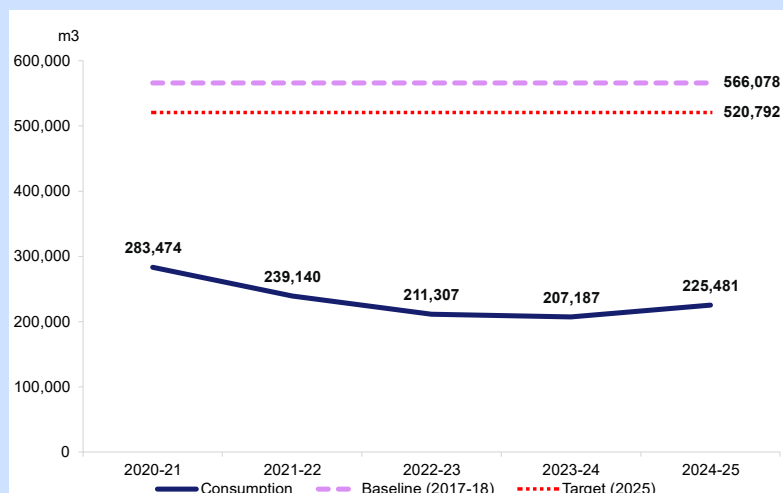


Figure 19: Water consumption

The 60% reduction in water consumption, from our 2017 to 2018 baseline, has been achieved through moving to more water efficient regional centres.



Our social impact

Many of our people support their local communities by volunteering in schools, charities and third sector organisations in public duty roles, such as being school governors or magistrates. Our Tax Facts educational programme continues to attract strong support from volunteers, who help deliver a gentle introduction to the world of tax to young people aged 8 to 17.

Climate-related financial disclosures

This year we are continuing to report on climate-related financial disclosures, consistent with HM Treasury's Task Force on Climate-related Financial Disclosures (TCFD) guidance which interprets and adapts the framework for the UK public sector. We have complied with HM Treasury's guidance for Phase 1 and Phase 2.

+ Read about the new requirements on climate related financial disclosures at www.gov.uk/government/publications/tcfd-aligned-disclosure-application-guidance/task-force-on-climate-related-financial-disclosure-tcfd-aligned-disclosure-application-guidance#governance. We have complied with this guidance by including recommended disclosures on governance (a – c), risk management (a – c) and metrics and targets (b). We are not required to include disclosure for metrics and target (a and c) as climate is not a principal risk.

Our governance for climate-related risks

Reporting to the HMRC Strategy Committee and, when required, to the Executive Committee (ExCom), HMRC's Sustainability Board ensures that sustainability considerations are integral to our decision-making and to our ways of working. The Board met every 2 months in 2024 to 2025 to oversee our sustainability and net zero commitments and identify and prioritise enterprise sustainability risks. Our Sustainability Strategy was agreed at HMRC's Strategy Committee in July 2023.

The Sustainability Board is chaired by our ExCom Sustainability Champion, HMRC's Director of Communications and Guidance, Andrew Pemberton. Non-Executive Board Member Bill Dodwell, holds climate change within his portfolio at the HMRC Board. We report on our performance against sustainability metrics and targets in the ExCom monthly performance hub. Our Audit and Risk Committee have reviewed our plans and approach to TCFD.

Managing climate risk

In 2024 to 2025, we reviewed our previously identified and assessed risks associated with the physical impact of climate change and the transition towards a low carbon economy. Key risks relating to the potential effects of extreme weather on our operations have been incorporated in our departmental risk management processes and governance.

We don't currently consider climate to be a principal risk for HMRC because environmental risks are not expected to critically impact our ability to deliver our strategic objectives. We have already taken significant steps to rationalise our property and IT estates, transforming HMRC into a more efficient and less carbon-intensive department and we are working to mitigate the potential impacts of extreme weather.

We continue to deepen our understanding of climate risks, notably through modelling the impacts of both 2°C and 4°C warming scenarios, which will inform current and future climate change adaptation measures.

+ Read more on our approach to risk management and assurance on page 87.

Metrics and targets for climate-related risks

We use a variety of metrics to assess climate-related risks and opportunities, which we have reported on publicly for several years. Our performance data on sustainability comes from a range of internal and external suppliers and we follow the Greening Government Commitments (GGC) reporting methodology. The Department for the Environment, Food and Rural Affairs verifies the data and the Carbon Trust has externally verified our methodology on supply chain emissions, which sit outside of the GGC requirements.

+ To understand scope 1, 2 and 3 emissions and the Greening Government Commitments see www.gov.uk/government/collections/greening-government-commitments

+ Read pages 68 to 69 and Annex 3 for our performance over time for each of our metrics for climate-related risks and opportunities.

How we contribute to UN Sustainable Development Goals

Strategic objective	What we're doing	UN Sustainability Goals
Close the Tax Gap	We collect the money that pays for the UK's public services and gives financial support to people by ensuring that the tax and customs system continues to work in the right way to bring in revenue due. Read more from page 15.	1 - No poverty 8 - Decent work and economic growth
Improve day to day performance and the overall customer experience	We are constantly expanding and improving our online services and systems to improve the customer experience. Read more from page 24.	8 - Decent work and economic growth
Reform and modernisation of Tax and Customs administration	We are changing how we deliver services to meet evolving challenges and deliver a simple and smooth experience for our customers. Read more from page 37 on how we are driving reform and modernisation across the organisation.	8 - Decent work and economic growth
Build a high-performing organisation, with a skilled and engaged workforce	We are building the leadership, tax and digital skills that we need for the future. We are taking forward initiatives such as our award-winning Tax Facts education programme for young people, which allows colleagues to volunteer in their local community, while gaining valuable transferable skills. Read more from page 44.	4 - Quality education 5 - Gender equality 10 - Reduced inequalities
Support wider government economic aims through HMRC's work	We continue to ensure the customs regime remains robust and effective, and we give financial support to people. Read more from page 50.	1 - No poverty 8 - Decent work and economic growth

Our accountability

This section reports on how we meet the key accountability requirements.

- 73 Governance statement**
Our governance arrangements, risk management approach and internal control systems
- 97 Statement of Accounting Officer's responsibilities**
An explanation of the responsibilities of the Accounting Officer and reportable activities for preparing financial statements
- 99 Principal Accounting Officer's report**
A review of the effectiveness of our governance, internal control arrangements, and compliance with the code of good practice for corporate governance
- 112 HMRC Charter**
A report covering our delivery and progress against the standards set out in the HMRC Charter during 2024 to 2025
- 120 Tax Assurance Commissioner's report**
A report from our Tax Assurance Commissioner on the management of tax disputes during this financial year
- 133 Remuneration and staff report**
A report on the size of our workforce and the cost of our staff and leadership team
- 154 Parliamentary accountability**
The Statement of Outturn against Parliamentary Supply and associated notes



Governance statement

Introduction and Compliance with the code of good practice

To work most effectively with HMRC and to oversee the implementation of the government's 3 strategic priorities for HMRC, in September 2024 the Exchequer Secretary to the Treasury became the chair of the HMRC Board.

To best support this several changes were made to the Board governance structure. Three new sub-committees were established:

- Customer Service Committee
- Reform and Modernisation Committee
- Closing the Tax Gap Committee

The following Board sub-committees were stood down: Performance Committee, Transformation Committee, Customer Experience Committee and People Committee.

The Board continues to provide challenge and advice on HMRC's performance, risk, strategy and capability and does not have any role in operational decision-making, tax policy or individual taxpayer matters.

From October 2024 oversight and assurance of the Valuation Office Agency has been provided by the HMRC Board and HMRC Audit and Risk Committee.

HMRC's governance arrangements have been assessed against the requirements set out in the Corporate Governance in Central Government Departments' Code of Good Practice (2017). There are elements which are not directly relevant to HMRC due to our statutory framework, however we comply with both the spirit and principles of the code where appropriate.

+ Read the 'Corporate governance in the central government departments code of good practice 2017' at www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017

This statement sets out our governance, risk management and internal control arrangements for the financial year 1 April 2024 to 31 March 2025 and up to the date of approval of the Annual Report and Accounts, by HM Treasury guidance.

Ministerial arrangements

HMRC is a department established by the Commissioners for Revenue and Customs Act 2005. This gives legal powers and responsibilities for managing the tax and customs system to the Commissioners for Revenue and Customs, appointed by the King. Our status is intended to ensure that administration of the tax system is fair, impartial and does not bring political decision-making into individual taxpayer affairs. From April to 4 July 2024 the Chancellor delegated responsibility for overseeing HMRC to Nigel Huddleston MP, the Financial Secretary to the Treasury. From 9 July 2024 to the present day, this has been delegated to James Murray MP, the Exchequer Secretary to the Treasury.

The Exchequer Secretary to the Treasury is now the sponsoring departmental minister responsible for HMRC. He chairs the HMRC Board and, on behalf of the Chancellor, sets the department's budgets, targets and priorities and remit.

HMRC and HM Treasury work in partnership together to advise ministers on developing and delivering tax policy. HM Treasury leads on strategic policy development, supported by HMRC. HMRC leads on policy maintenance and delivery, supported by HM Treasury. This policy partnership covers taxes and duties, National Insurance, tax credits and Child Benefit, for which HMRC has administrative responsibility.

Commissioners for Revenue and Customs

The commissioners are responsible for collecting and managing revenue and payments and managing tax credits. They conduct business according to the Commissioners for Revenue and Customs Act 2005 and are entitled to appoint officers of Revenue and Customs, who must comply with their directions. Between April 2024 to March 2025, we had 7 commissioners – Sir Jim Harra, Angela MacDonald, Justin Holliday, Penny Ciniewicz, Myrtle Lloyd, Jonathan Athow, and Carol Bristow.

First and Second Permanent Secretaries

Our current First Permanent Secretary and Chief Executive, John-Paul Marks, is HMRC's Principal Accounting Officer. He is responsible for delivering our strategy and is accountable to Parliament for managing our resources. He chairs the Executive Committee (ExCom) and is a member of HMRC's Board. From April 2024 to March 2025 Jim Harra was the Principal Accounting Officer. We set out Accounting Officer responsibilities on pages 97 to 98. Our Second Permanent Secretary and Deputy Chief Executive is Angela MacDonald.

Tax Assurance Commissioner

The Tax Assurance Commissioner (TAC) has an explicit challenge role and provides assurance in HMRC's largest and most sensitive disputes, and a sample of smaller cases. Justin Holliday is the TAC. Decisions about how to resolve our largest and most sensitive cases are considered by a panel of 3 commissioners, usually chaired by the TAC, who reports publicly each year in the annual Tax Assurance Commissioner's report (see pages 120 to 132).

Non-executive directors

Non-executive directors sit on the HMRC Board. They bring external experience and expertise to HMRC, providing advice, challenge and scrutiny. Dame Jayne-Anne Gadhia is our Lead Non-Executive Director. She meets regularly with other non-executive directors, the Exchequer Secretary and the First Permanent Secretary. She liaises with lead non-executive directors across government and develops and appraises non-executives as effective Board members.

HMRC Board members and non-executive members of committees are required to declare real and potential conflicts of interest on appointment and to notify of any arising during their term. This is in accordance with The Code of Good Practice para 4.15.

+ A comprehensive list of Board members' interests (both executive and non-executive) are reported at www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2024-to-2025

Independent Advisors

Independent Advisors sit on particular sub-committees of the Board and ExCom, where additional external expertise is required to support executive and non-executive members. They use their skills and personal experience in their field to contribute to the work of the sub-committees and to wider departmental objectives. From April 2024 to March 2025, Independent Advisors sat on the People Committee, the Customer Experience Committee, the Customer Service Committee and the Professional Standards Committee.

HMRC's non-executive directors (end of March 2025)



Dame Jayne-Anne Gadhia

Lead Non-Executive Director,
Committees:
Nominations Committee



Mike Bracken

Committees:
Reform and
Modernisation



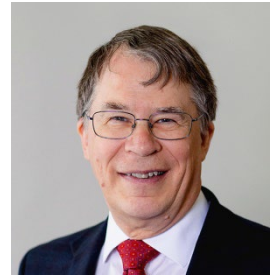
Patricia Gallan

Committees:
Reform and
Modernisation,
Professional Standards,
Nominations



Michael Hearty

Committees:
Audit and Risk,
Performance,
Customer Service



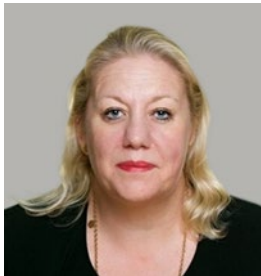
Bill Dodwell

Committees:
Closing the Tax Gap



Paul Morton

Committees:
Audit and Risk,
Professional Standards,
Closing the Tax Gap



Jennifer Tippin

Committees:
Customer Service

Non-executive and sub-committee members (end of March 2025)



Charlotte Moar

Committees:
Audit and Risk



Andre Katz

Committees:
Audit and Risk

HMRC's Executive Committee members (end of March 2025)



Sir Jim Harra KCB

Commissioner for Revenue and Customs, Chief Executive and First Permanent Secretary, Principal Accounting Officer, and member of the Board



Angela MacDonald

Commissioner for Revenue and Customs, Deputy Chief Executive and Second Permanent Secretary and member of the Board



Jonathan Athow

Commissioner for Revenue and Customs, Director General Customer Strategy and Tax Design



Carol Bristow

Commissioner for Revenue and Customs, Director General Borders and Trade



Penny Ciniewicz

Commissioner for Revenue and Customs, Director General Customer Compliance



Alan Evans

General Counsel and Director General, Solicitor's Office and Legal Services



Justin Holliday

Commissioner for Revenue and Customs, Chief Finance Officer, Tax Assurance Commissioner and member of the Board



Myrtle Lloyd

Commissioner for Revenue and Customs, Director General Customer Services



James Mitton

Director General for Enterprise Transformation Group



Suzanne Newton

Director General for Change Delivery Group



Andrew Pemberton

Director of Communications and Guidance



Helen Pickles

Chief People Officer



Lucy Pink

Director of HMRC Strategies



Daljit Rehal

Chief Digital Information Officer



Jonathan Russell

Chief Executive of the Valuation Office Agency

Our governance committee structure

HMRC has 2 top-level governance committees, which are HMRC Board and HMRC Executive Committee (ExCom). This framework enables ExCom to make decisions effectively and transparently, with appropriate support, challenge, and assurance from our non-executives.

Figure 20: HMRC Committee structure during 2024 to 2025



HMRC Board and sub-committees

HMRC strategic objective key

Close the tax gap 	Improve day-to-day performance and the overall customer experience 	Reform and modernisation of tax and customs administration 	Build a high-performing organisation with a skilled and engaged workforce 	Support wider government economic aims through HMRC's work 

HMRC Board



The Board has been chaired by the Exchequer Secretary to the Treasury since September 2024. Between April 2024 and March 2025 it met 7 times, with 3 of those meetings taking place under the leadership of the minister. Over the past year the Board has focused on the delivery of HMRC's priorities: improving customer service performance, closing the tax gap and the reform and modernisation of HMRC. It has monitored HMRC and VOA finance and performance and considered key strategic risks such as Technical Health and Cyber Security. The Board has also advised and challenged the department on its strategy and vision, for example through its reviews of HMRC's Business Plan.

Board effectiveness

The Board conducted its annual effectiveness review through a Cabinet Office questionnaire. The review enabled the Board to ensure there is continuous improvement in the Board's effectiveness and impact. The review found that the Board is performing well, aligning with the Ministerial priorities and that the Board and its sub-committees have a clear set of objectives. The Board agreed that to further improve its effectiveness it would: periodically scrutinise and review it and its sub-committees forward look and the secretariat would provide structured ongoing training for non-executive directors.

HMRC Board sub-committees

Audit and Risk Committee (ARC)



The Audit and Risk Committee provides assurance to the Board and Accounting Officer on the integrity of the financial statements, and the comprehensiveness and reliability of assurances across HMRC on governance, risk management and the control environment. Since October 2024 it has also provided oversight of the Valuation Office Agency proportionate to its purpose and risk. These new arrangements have been embedded across the year and will continue to adapt as is required. The committee received assurance from the VOA's Audit Risk and Assurance Committee until the change in governance arrangements in October 2024, and subsequently from VOA's Risk and Assurance Committee.

In 2024 to 2025 it oversaw production and assured the integrity of HMRC's April 2024 to March 2025 Annual Report and Accounts. The committee also assured the integrity of the 2023 to 2024 and 2024 to 2025 accounts for the Valuation Office Agency, National Insurance Fund for

Great Britain, the National Insurance Fund for Northern Ireland, and the Account of Duties Collected in the Isle of Man. The committee provided advice and assurance on the annual assessments of risk, controls and governance made by ExCom. The committee also monitored the integrity of the financial statements and assured the adequacy of governance, risk management, and control frameworks alongside assurance from Internal Audit. The sub-committee is chaired by Michael Hearty and met 7 times from April 2024 to March 2025.

Customer Service Committee (CSC)



The Customer Service Committee focused on improving customer service performance, the development of the department's transformation plans, and HMRC's 2025 to 2029 communications strategy and 2025 to 2026 communications annual plan. The sub-committee is chaired by Jennifer Tippin, it first met in October 2024 and met 3 times up to March 2025.

Nominations Committee (NC)



The Nominations Committee scrutinised succession planning and the management of senior-level talent, performance, and reward. The committee is chaired by Jayne-Anne Gadhia and it met once from April 2024 to March 2025.

Closing the Tax Gap Committee (CTGC)



The Closing the Tax Gap Committee focused on assuring work to recruit 5,500 additional compliance officers, assessed key risks and opportunities around the small business tax gap, and tested HMRC's approach to customer debt collection, as well as fraud and serious non-compliance (including prosecutions). The sub-committee is chaired by Bill Dodwell and first met in November 2024 and met 3 times up to March 2025.

Reform and Modernisation Committee (R&MC)



The Reform and Modernisation Committee focused on how reform and modernisation will help support workforce skills and capabilities, assessed live services such as Self Assessment and Making Tax Digital, and considered HMRC's future approach to managing commercial vendor spending. The sub-committee was chaired by Mike Bracken and first met in November 2024 and met 3 times up to March 2025.

Executive Committee and sub-committees

ExCom



HMRC's Executive Committee (ExCom) oversaw progress towards the achievement of short- and long-term performance and transformation objectives. ExCom regularly monitored the delivery of major programmes and initiatives, scrutinising delivery plans and ensuring they aligned with strategic priorities. It assessed the department's most significant risks and agreed mitigating actions. It shaped and refined HMRC's strategy in line with strategic objectives, plans for digital transformation, and the external environment including public trust of HMRC.

Every month, ExCom considered HMRC's performance against key performance indicators. From April 2024 to March 2025, ExCom scrutinised and agreed HMRC's business planning process and spending review strategy. It also reviewed HMRC's communications and guidance plans, people strategy and commercial strategy.

ExCom sub-committees

Change Investment and Design Committee



The Change Investment and Design Committee approved our most significant business cases. The committee also developed, supported and assured design principles and standards for use across HMRC. It was chaired by Justin Holliday and Jonathan Athow and met 19 times from April 2024 to March 2025.

Making Tax Digital Executive Oversight Group



The Making Tax Digital Executive Oversight Group oversaw and supported the successful delivery of the Making Tax Digital programme. It was chaired by Angela MacDonald and met 6 times from April 2024 to March 2025.

Professional Standards Committee



The Professional Standards Committee discussed a range of topics linking to trust in HMRC, underpinned by themes of fairness, transparency and technology. The committee explored how the Litigation Settlement Strategy can ensure that HMRC approaches tax disputes fairly and even-handedly, work undertaken in Customs to improve customer guidance and processes, and the risks posed by the increasing use of Artificial Intelligence (AI) by third parties. The committee also welcomed external insight on independent advocacy provision and considerations for balancing AI usage with customer safeguards. The committee was chaired by Jonathan Athow and met 4 times from April 2024 to March 2025.

+ Summaries of this year’s meetings can be found at www.gov.uk/government/organisations/hm-revenue-customs/about/our-governance#professional-standards-committee

Strategy Committee



The Strategy Committee provided stewardship of HMRC’s strategy and its implementation across the department. In April 2024 to March 2025, the committee steered HMRC’s strategic understanding across the different tax regimes, HMRC’s approach to intermediation in the tax system and reviewed Tax Administration Strategy. It also approved a new approach to strategy assurance and endorsed HMRC’s people strategy. The committee was chaired by Jonathan Athow and met 10 times from April 2024 to March 2025.

Enterprise Data Committee



Enterprise Data Committee (EDC) provided oversight of HMRC’s Data Strategy, assuring effective governance, management, and use of data across HMRC. During 2024 to 2025 the EDC helped shape HMRC’s Spending Review activities, supported development of the Unique Customer Record and the Central Customer Registry. It provided Data Protection oversight as well as considering and championing the development and deployment of AI within HMRC. The committee was chaired by Angela MacDonald and met 10 times from April 2024 to March 2025.

Risk and Control Committee



The Risk and Control Committee focused on the management of key risks by developing and implementing risk treatment strategies and providing assurance to ExCom that risk management and control issues are being managed effectively. The committee was established in April 2024 and set 5 priorities for the year where action was required – business continuity, security, SharePoint and knowledge management controls, segregation of duties and payment controls. Since then, the committee has commissioned a long-term project to evaluate HMRC’s disaster recovery arrangements with a view to improving resilience, as well as steering work to address the risk posed by insider threat. The committee was chaired by Angela MacDonald and met 11 times from April 2024 to March 2025.

+ Read more about HMRC’s governance at www.gov.uk/government/organisations/hm-revenue-customs/about/our-governance

Report by Dame Jayne-Anne Gadhia, HMRC's Lead Non-Executive Director

I have been hugely impressed with how colleagues across HMRC have delivered this year, responding to the government's priorities of closing the tax gap, improving day-to-day performance and the customer experience and reforming and modernising the tax administration system.

I particularly want to pay tribute to Sir James Harra, who retired in April 2025 after 6 years as First Permanent Secretary and CEO of HMRC. The value of Jim's contribution to the department during more than 40 years of public service cannot be understated. The department and the Board have benefited hugely from his immense tax knowledge. The constructive relationships he established with me, and the other Board members were much appreciated. I wish Jim a very happy retirement.



I would also like to take this opportunity to welcome JP Marks to HMRC. JP joined the department in April 2025 after building an outstanding track record of operational and policy delivery in senior roles at HM Treasury, the Department for Work and Pensions and as Permanent Secretary to the Scottish Government. I look forward to working with JP and continuing to work with Angela MacDonald in her role as Second Permanent Secretary, on maintaining and further developing the positive, productive and open dynamic between HMRC's Board and its Executive Committee.

I also welcome the Exchequer Secretary's leadership in driving forward the government's priorities and as chair of HMRC's Board. As the Lead Non-Executive Director, I have been working closely with the Exchequer Secretary to refocus the Board and its sub-committees, so we can most effectively support the department in making progress against its 3 priorities. Our governance statement sets out in more detail the refreshed governance structure that we implemented from October 2024 to scrutinise progress against the 3 priorities.

I'm pleased and proud of the way the Board has continued to provide advice, scrutiny and assurance to the Minister and the Executive throughout the year. During April 2024 to March 2025, the Board's main areas of focus have been on:

- HMRC's contribution to the spending review
- HMRC's People Strategy and Delivery Plan
- HMRC Business Plans
- Implementation of the Autumn 2024 Budget

To support the Exchequer Secretary to the Treasury and assure the Board that there is suitable rigour around HMRC's performance, this year I set up monthly meetings with my non-executive colleagues, to discuss HMRC's performance and risk in greater detail, reporting back to the Board.

This year I was also asked by the Exchequer Secretary to support his work in conducting the Zero-Based Review of existing HMRC budgets, as a key part of the Spending Review 2025. We were very thorough, conducting detailed reviews of the department's business areas.

We welcomed 2 new non-executives to the Board during the year: Bill Dodwell, has brought a deep knowledge of tax administration and now chairs our Closing the Tax Gap sub-committee. I am grateful to Mike Bracken who provided advice to the Board on digital transformation between October and April. His expertise was invaluable in setting up our Reform and Modernisation Committee and putting it on a strong footing for the coming year. My non-executive colleagues on the Board all worked positively with the Executive Committee throughout the year.

We also said farewell to David Cooper and Susie Warran-Smith. I am grateful to David for his support on technical health and cyber security, and to Susie for her insight on small businesses and for her contribution to the Customer Experience Committee.

In accordance with the Code of Good Practice, the Board undertook its annual effectiveness review. We found that the Board and its sub-committees align well with Ministerial priorities, providing strategic clarity, and supporting HMRC's planning on how future needs and challenges will be met.

Elsewhere, we have sought and received assurance on the organisational health of HMRC through the Nominations Committee, which has supported on succession planning during a period of change for the Board and the Executive. The Audit and Risk Committee continues to focus on strengthening the department's risk and control environment.

I look forward to continuing to work with the department as it carries out its vital purpose of collecting the money that pays for the UK's public services and providing financial support to people and businesses. We will see further change at Board-level as several long-standing non-executives depart this year. I will be taking a keen interest in ensuring that future members of the Board get off to the best start possible and continue the professional, supportive and constructive approach that we have established.



Dame Jayne-Anne Gadhia
Lead Non-Executive Director

Table 5a: Board and committee chairs

Board	ARC	NC	CSC	CTGC	R&MC	ExCom
James Murray MP	Michael Hearty	Dame Jayne-Anne Gadhia	Jennifer Tippin	Bill Dodwell	Dame Jayne-Anne Gadhia	John-Paul Marks

Table 5b: Meeting attendance by Chair of the Board¹

Chair of the Board	Date started or left role	Board (3)	ARC (7)	NC (1)	CSC (3)	CTGC (3)	R&MC (3)
James Murray MP	Chaired first Board October 2024	3	N/M	N/M	N/M	N/M	N/M

Table 5c: Meeting attendance by non-executive directors¹

Non-executive directors	Date started or left role	Board (7)	ARC (7)	NC (1)	CSC (3)	CTGC (3)	R&MC (3)
Dame Jayne-Anne Gadhia		7	N/M	1	N/M	N/M	N/M
Mike Bracken	April 2025 (left)	2	N/M	N/M	N/M	N/M	3
David Cooper	September 2024 (left)	4	N/M	N/M	N/M	N/M	N/M
Bill Dodwell	October 2024 (joined)	3	N/M	N/M	N/M	3	N/M
Patricia Gallan		6	N/M	1	N/M	N/M	2
Michael Hearty		6	7	N/M	3	N/M	N/M
Paul Morton		5	6	N/M	N/M	3	N/M
Jennifer Tippin		5	N/M	N/M	3	N/M	N/M
Susie Warran-Smith	September 2024 (left)	4	N/M	N/M	N/M	N/M	N/M

1 N/M = Non-member

Table 5d: Meeting attendance by members of the Audit and Risk Committee¹

Member	Date started or left role	Board (7)	ARC (7)	NC (1)	CSC (3)	CTGC (3)	R&MC (3)
Charlotte Moar	September 2024 (joined)	N/M	3	N/M	N/M	N/M	N/M
Andre Katz	November 2024 (joined)	N/M	2	N/M	N/M	N/M	N/M
Elizabeth Fullerton-Rome	August 2024 (left)	N/M	4	N/M	N/M	N/M	N/M
Tom Taylor	August 2024 (left)	N/M	3	N/M	N/M	N/M	N/M

1 N/M = Non-member

Table 5e: Meeting attendance by executive directors¹

Executives	Date started or left role	Board (7)	ARC (7)	NC (1)	CSC (3)	CTGC (3)	R&MC (3)	ExCom (23)
Sir Jim Harra KCB	April 2025 (left)	7	2	1	N/M	N/M	N/M	20
Angela MacDonald		7	N/M	N/M	N/M	N/M	N/M	20
Jonathan Athow		N/M	N/M	N/M	N/M	3	N/M	17
Carol Bristow		N/M	N/M	N/M	N/M	N/M	N/M	20
Penny Ciniewicz		N/M	N/M	N/M	N/M	3	N/M	18
Alan Evans		N/M	N/M	N/M	N/M	3	N/M	16
Justin Holliday		5	7	N/M	1	N/M	N/M	17
Myrtle Lloyd		N/M	N/M	N/M	3	N/M	N/M	19
James Mitton	June 2024 (joined)	N/M	N/M	N/M	N/M	N/M	3	18
Suzanne Newton		N/M	N/M	N/M	N/M	N/M	3	20
Andrew Pemberton		N/M	N/M	N/M	3	N/M	N/M	20
Helen Pickles	January 2025 (joined)	N/M	N/M	N/M	N/M	2	1	6
Lucy Pink		N/M	N/M	N/M	N/M	N/M	N/M	19
Daljit Rehal		N/M	N/M	N/M	N/M	N/M	2	14
Jonathan Russell		N/M	N/M	N/M	N/M	N/M	N/M	16
Esther Wallington	April 2024 (left)	N/M	N/M	N/M	N/M	N/M	N/M	1

1 N/M = Non-member

Risk management and assurance

Our approach to risk management

HMRC has a well-established culture of managing risks, aligned with HM Treasury's guidance – "The Orange Book". HMRC's key risks in 2024 to 2025, page 89, highlights risks we manage to deliver our key priorities. Page 70 details the progress made in managing risks relating to climate change. This section outlines our approach to managing risks across HMRC over the reporting period.

We manage 2 main types of risk:

- **Process risks:** these are risks to the efficient operation of our processes. We continue to develop our control framework to better manage risks associated with our operational processes. To make sure these process controls are effective, they are regularly reviewed and assured during the reporting period.
- **Strategic risks:** these are risks to the management of HMRC and delivery of our strategic objectives. The Executive Committee (ExCom) and HMRC Board, inclusive of Audit and Risk Committee members scrutinise these risks through regular reporting and participation in deep dive sessions. We manage these risks across all levels of HMRC, from decision making on individual cases to delivering large-scale change and strategic policy making.

Our risk and control framework

We continually review and refine how we manage risk, so we can understand and keep improving the effectiveness of our strategic delivery, processes and controls. This includes identifying and delivering work to bring and keep HMRC's risk and control framework in line with the current version of the Orange Book.

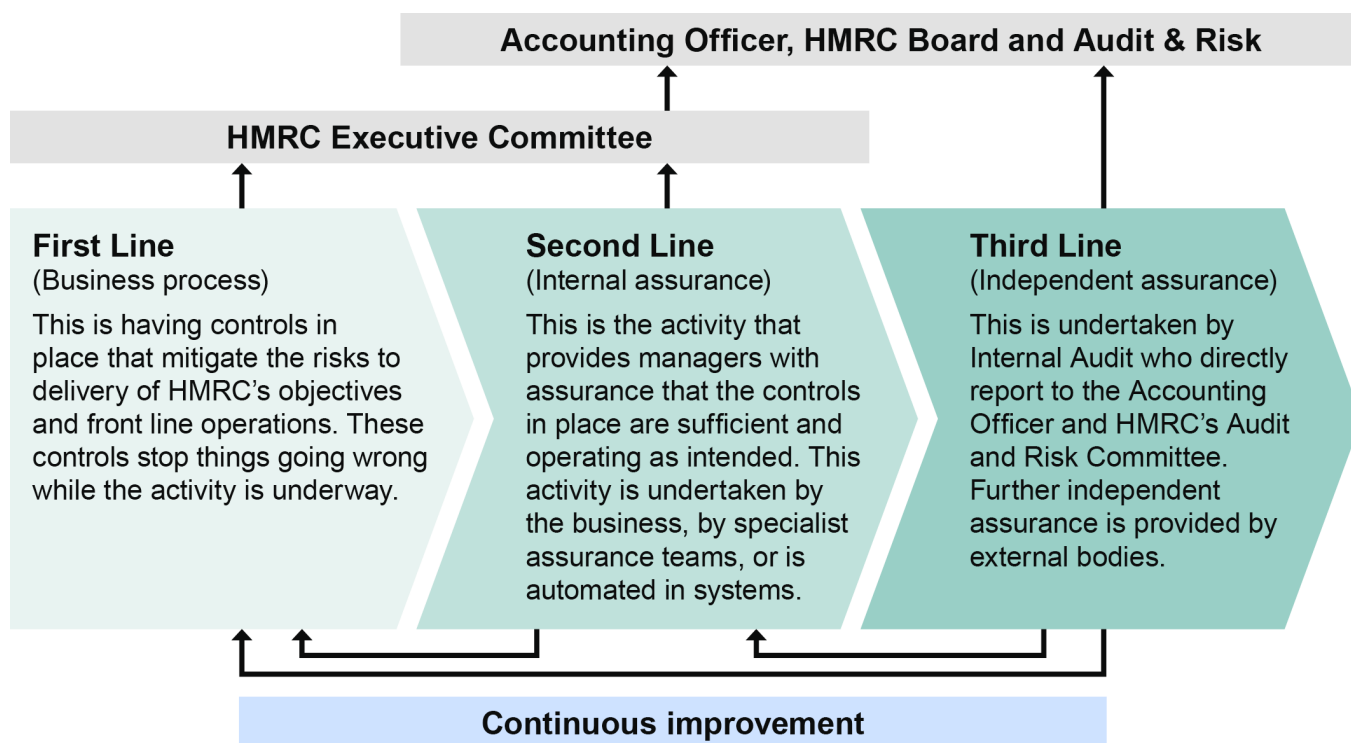
Our Chief Risk Officer has oversight for management assurance activity including the disciplines of governance, risk, and control. Alignment of these activities across HMRC is helping us to create a unified view of our risks and controls and streamline activity. The Chief Risk Officer, supported by HMRC's Process, Risk and Control Board, will help ExCom to further improve our risk and control framework, contributing to more effective and efficient processes that support the delivery of our strategic objectives.

Our risk and control framework is based on the 'Three Lines Model'. This assurance model facilitates the effective management of risk throughout the reporting period, by clearly defining roles and activities for front-line operations, internal assurance, and independent assurance; and by supporting regular monitoring, reviewing and assurance. The front-line operates controls to mitigate risks to delivery and internal assurance provides management with confidence that the controls in place are effective. An independent view of the overall effectiveness of controls including our internal assurance is provided by Internal Audit and external bodies. Crucially, this includes NAO reports which contribute to the overall independent assurance HMRC benefits from. A recent example includes the NAO report on "The administrative cost of the tax system".

These activities provide the Accounting Officer, ExCom and the Board with assurance about the delivery of HMRC's overall strategy and objectives.

+ For more information on actions taken on specific control challenges, please go to pages 105 to 107.

Figure 21: HMRC's Three Lines Model



Our risk and control framework covers:

- **governance:** ensuring that authorities and accountabilities are clear, appropriate strategies and plans are in place and our success in operating the control framework is reflected in the annual governance statements
- **process management:** taking the necessary action to ensure our processes are effective, efficient, well-controlled and easy for our customers and staff to use
- **risk management:** identifying, assessing, managing and reporting the risks to the delivery of our objectives
- **controls:** embedding effective controls in our business processes to ensure objectives are met and any risks reduced
- **management assurance:** assuring the controls in place are sufficient and operating as intended, and taking the necessary action to address any weaknesses
- **independent assurance:** getting internal and external audit to challenge or confirm the effectiveness of our control framework
- **data:** ensuring that the data on which our business relies is secure and accurate

The Executive Committee established an Executive Risk and Control Committee chaired by the Second Permanent Secretary in the beginning of 2024 to 2025. The committee focusses on risks and control issues that are enterprise-wide, have wide ranging impacts and have no single natural owner. This cross-cutting approach gives these types of risks and control issues the right level of oversight and management. In support of this committee the Chief Risk Officer chairs the HMRC Process, Risk and Control Board. The Board focuses on improving risk management capability and the underpinning processes of all aspects within the risk and control framework.

Our corporate governance arrangements have continued to evolve during the year. An organisation of HMRC's size and complexity will always have multiple risks to manage at any one time. The governance arrangements in place throughout 2024 to 2025 have been sufficient to continue managing risks effectively.

HMRC's key risks in 2024 to 2025

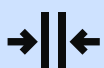
Our Executive Committee manages 10 key risks, which helps us to ensure we can deliver on our key priorities: to close the tax gap, improve day-to-day performance and modernise and reform the UK tax and customs system.

Our most significant risks remain in technology, security and data protection. In 2024 to 2025, we made progress in managing these risks by remediating IT and data issues and strengthening key security controls. We have continued to invest in modernising our IT estate, including accelerating our exit from legacy data centres, helping us to improve our overall resilience and equipping our systems with innovative tools.

Customer experience remains a key priority and we have focused on improving our telephone service, while also continuing to develop and improve our digital services and online guidance.

+ Read more information about our risk management approach on pages 87 to 89.

HMRC strategic objective key

Close the tax gap 	Improve day-to-day performance and the overall customer experience 	Reform and modernisation of tax and customs administration 	Build a high-performing organisation with a skilled and engaged workforce 	Support wider government economic aims through HMRC's work 

Key risk 1: Technical Health		Strategic objectives	
There is a risk that HMRC priorities/strategies/decisions result in the HMRC IT estate becoming larger and too complex to securely manage with the resources available, this will result in increased likelihood failure of critical business services, causing considerable harm to the UK.		  	
Risk Exposure Assessment March 2025	RED	Risk trajectory	Improving 

We have made significant progress in continuing to develop resilient technology, for example modernising our IT estate and remediating priority IT issues by securing our servers, removing legacy technology, and increasing our bandwidth. Until we have modernised our IT estate, there are significant challenges associated with our aging infrastructure. Although technology transformation has begun to equip HMRC with innovative tools, including generative AI, there is also an increased threat of cyber-attacks through the sophistication of AI available.

In 2024 to 2025, our Technical Health Programme helped keep our systems secure and reliable while preparing for the future. It gave us a clearer picture of our technology, upgraded important services to modern platforms, and strengthened data security by fixing critical issues. This work ensures we can continue to support our customers and colleagues with confidence.

Key risk 2: Data Protection		Strategic objectives	
Failing to comply with data protection laws may lead to a legal breach, leaving us unable to protect customer and staff personal data to the legally required level, nor help staff and customers carry out their rights under data protection law.			
Risk Exposure Assessment March 2025	RED	Risk trajectory	Improving 

This year our Data Protection Remediation Programme completed its remediation of 82 systems, improving data retention compliance. The programme took steps to improve our ability to delete, suppress or stop processing personal data as required. We have built on this work by taking steps to strengthen governance and retention arrangements for data across the department, including automating deletion of older material in some enterprise-wide systems, and this work continues.

This year saw a sustained significant increase in volumes of Subject Access Requests, which has impacted our response timescales. We have increased resource and taken steps to improve automation of the process, including establishing a temporary senior steering group to oversee this work.

Key risk 3: HMRC Security		Strategic objectives	
There is a risk that business/critical services fail if HMRC does not operate its security processes and controls or manage its infrastructure and vulnerabilities effectively enough to protect HMRC, its people and assets from harm or misuse.			
Risk Exposure Assessment March 2025	RED	Risk trajectory	Stable 

We have significantly improved system resiliency, achieving a record year for stability with 99.99% availability. Our cyber defences intercepted and blocked 99% of phishing attacks, and we enhanced our technology, processes, and tooling.

Our fraud prevention and detection controls identified unauthorised attempts to access approximately 100,000 HMRC customer online tax accounts. The attackers aimed to exploit the PAYE system to generate unauthorised repayments from the Exchequer, rather than from individual customers. Revenue losses from this incident are estimated, to date, to be £48.8 million. In response, we have remediated compromised customer accounts and written to affected customers, and we are continuing to improve customer risk profiling and enhance our security controls.

The risk remains stable overall, however heightened geopolitical threats continue to impact all security vectors. We strengthened security controls, improved infrastructure resilience, and enhanced supplier security management. A taskforce was introduced to mitigate insider threats and improve key personnel security. We also completed insider threat risk assessments and

improved physical asset security controls. Recovery plans are continuously tested to enhance preparedness and resilience.

Key risk 4: Exploiting Information		Strategic objectives	
There is a risk that we fail to effectively exploit our data, resulting in reduced revenue collection, tax gap widening and/or weaker customer service by failing to build capability effectively.			
Risk Exposure Assessment March 2025	RED	Risk trajectory	Stable 

HMRC is a data-driven organisation and data is crucial to the delivery of our work. Our Spending Review plans will enable HMRC to access, integrate, and deliver real-time data more efficiently and cost-effectively, without the need for data movement or replication.

We continue working on enhancing various capabilities and integration services for our core platforms, facilitating a transition to modern architecture. Additionally, we have laid the foundational stages of consolidating our customer information, which will be further enhanced through agreed Spending Review funding.

Investment provided at Phase 1 of the Spending Review will enable us to begin building the infrastructure and capability that underpins our ability to improve the quality and mastery of our data sources, deploy and access data at scale, better integrate our data and deliver more flexible analytical tools, and improve interoperability of systems. This trajectory of our exposure to this risk will reduce during 2025 to 2026.

Key risk 5: Improving Customer Experience		Strategic objectives	
Failure to meet Charter and customer service delivery standards could mean customers have a poor experience, trust may erode and HMRC might not achieve its strategic objectives.			
Risk Exposure Assessment March 2025	RED	Risk trajectory	Stable 

We have focused on improving customer service, particularly via telephony, by allocating additional resources to reduce call wait times and enhance customer experience. We have also improved our digital services, including the HMRC app, to encourage customers to self-serve online. We remain committed to supporting customers who need extra help and improving communications to increase customer awareness of the help HMRC can provide through different channels.

This year we simplified our guidance, making it more interactive and visible to customers at the point of need. Enhanced guidance on Corporation Tax and Self Assessment registration has made compliance easier for individuals and businesses.

Investment in front line services has enabled HMRC to make improvements in our customer service performance standards for telephony and post, though we know we have more to do. Early signs show improvement in customer satisfaction scores and continued funding for frontline operations will positively impact the risk further during 2025 to 2026.

Key risk 6: Capacity and Capability		Strategic objectives	
There is a risk that HMRC cannot deliver its business objectives or respond to unplanned events if it does not have, or cannot attract, the skilled and/or available workforce it needs in the future.			
Risk Exposure Assessment March 2025	RED	Risk trajectory	Stable 

The maturing operating model design, and delivery of transformational change continues to inform our future workforce plans. We have an emerging picture of the shape and capabilities required of our workforce in the future - for example, we are increasing compliance capacity and specialist capability to meet government priorities around tax gap reduction and improved debt recovery. This includes the expansion of roles in risk profiling, forensic analysis, and digital case working to support more targeted, data-driven compliance interventions and are proactively building the additional skilled resource we need across our strategic locations, growing thriving regional communities.

We have strengthened capacity through the intake of additional compliance, debt and customer service colleagues and streamlined recruitment processes using innovative digital solutions. We continue to grow capability through our learning academies with our Digital Academy embedded within operations and further academies for Tax, Compliance and Customs and Leadership and Management in the pipeline.

We have enhanced our Strategic Workforce Planning capability to improve forecasting accuracy which creates stronger talent pipelines and resource prioritisation and strengthened our leadership and management capability through a suite of enterprise leadership and management programmes.

Key risk 7: Engagement and Culture		Strategic objectives	
There is a risk that HMRC cannot deliver its business objectives or respond to unplanned events if it does not have, or cannot attract, the skilled and/or available workforce its needs in the future.			
Risk Exposure Assessment March 2025	AMBER	Risk trajectory	Stable 

HMRC has invested heavily in driving workforce and workplace improvements this year increasing access to a modern estate and providing the right tools for our people to be successful. These improvements have maintained employee engagement levels, and we continue to work towards our strategic ambition to be a Great Place to Work.

As part of a package of mitigation strategies focussing on colleague engagement, we have developed tools to equip our managers to lead colleagues effectively, focussing on performance management, engagement and mental health and wellbeing.

As previously pledged, the continuous Employee Listening programmes have played a central role in fostering a supportive environment whereby employee voices are not only heard but acted upon. We are committed to continue to invest in our colleagues and through workforce transformation initiatives to improve colleague experience, enhance productivity, and modernise our HR processes, leading to a strengthened risk position and employee engagement score in the future.

Key risk 8: Delivering HMRC's Change Portfolio		Strategic objectives	
There is a risk that the HMRC Change Portfolio, is unable to deliver the outcomes expected and associated benefits within this Spending Review, which in turn, will harm HMRC's ability to deliver on its Strategic Ambitions and impact the reputation of HMRC to deliver change.			
Risk Exposure Assessment March 2025	AMBER	Risk trajectory	Stable 

Over the past year, we have successfully reduced the overall level of risk by addressing several issues that were impacting our portfolio's deliverability. The majority of Spending Review 2021 outcomes have been delivered.

The deliverability of our projects and programmes has significantly improved, thanks to a concerted effort to clarify scope and design earlier in the lifecycle. We have strengthened portfolio change controls and introduced new financial management standards, leading to better financial controls. Delivery Professional recruitment has been centralised to match people to critical roles and accreditation increased. We closely managed the demand for specialist resources, and this will continue into 2025 to 2026.

Our portfolio has now been reset to meet SR25 commitments. We are enhancing our delivery methods to become more agile, with a greater focus on both people and technology-driven change. We are testing several changes to our delivery approach to increase flexibility, innovation, and efficiency. These changes aim to tailor our delivery processes to the scale and nature of the projects we undertake.

Further enhancements to our project and programme controls are planned for 2025 to 2026. We have already driven up adherence to standards and improvements in quality, productivity, and real-time decision-making. We will also actively engage with the wider government and external change profession to understand and adopt best practices.

Key risk 9: Windsor Framework		Strategic objectives	
There is a risk that HMRC is unable to achieve sufficient external systems and business readiness in order to deliver a successful implementation of the new Windsor Framework arrangements for freight and parcels, meaning a slower take up of benefits anticipated under the policy and the risk of associated reputational damage to HMRC and UK Government and the EU, as well as the potential for legal challenge.			
Risk Exposure Assessment March 2025	AMBER	Risk trajectory	Improving 

The Windsor Framework was agreed in February 2023 and HMRC, as the UK Customs authority, has delivered the new customs arrangements for goods moving from Great Britain to Northern Ireland via parcels and freight. The new arrangements for freight and parcel movements under the Windsor Framework went live on 1 May 2025, following the declarations by the UK and the EU Commission at the Withdrawal Agreement Joint Committee.

HMRC led an extensive readiness programme to ensure businesses were fully prepared for the new arrangements to take effect, including a suite of guidance, targeted communications and webinars. The Trader Support Service, who support the majority of freight movements into Northern Ireland, also led an extensive readiness programme to supplement HMRC activities. Following the new arrangements taking effect, HMRC systems are performing as planned and we remain closely engaged with industry to provide support.

Key risk 10 Efficiency Delivery		Strategic objectives	
Failure to deliver our efficiencies in full will require one off savings to avoid a breach of delegated budgets, adversely impacting departmental performance and slow delivery of our vision.			
Risk Exposure Assessment March 2025	GREEN	Risk Exposure Assessment March 2024	Improving 

We have exceeded our stretching efficiency target of £500 million set at Spending Review 2021, and the vast majority of the additional £219 million savings required to mitigate sustained higher than planned inflation. We have achieved this by delivering process and productivity improvements (for example, tackling compliance risks more effectively and supporting customers to get their tax affairs right at the outset means we require less compliance officer input to deliver the same, or increased, revenues), modernising our IT systems, and by reducing the costs associated with maintaining our physical estate.

This year we have delivered very close to our stretch target, albeit with a slightly greater than planned proportion of savings relating to one-off, rather than sustainable, cost-savings. We closely monitored demand levels and agreed additional resources (funded, wherever possible, through additional savings opportunities) to mitigate impacts on in-year performance against key service standards, and allocated funding to bring forward recruitment needed to help maintain customer service performance levels in 2025 to 2026 and beyond.

Government Functional Standards statement

UK Government Functional Standards set expectations for improved and consistent ways for functions to work across government. This includes the planning, delivery, and assurance of functional work as well as support for continuous improvement and professional development. HMRC fully supports the embedding of functional standards.

In line with HM Treasury/Cabinet Office requirements, over the reporting period 2022 to 2023, all HMRC functional leads completed a self-assessment of how well they were meeting the requirements of their functional standard. Recognising the benefits, HMRC’s Executive Committee commissioned further self-assessments over the reporting period 2024 to 2025.

Following both sets of self-assessments, areas for improvement were identified and have been built into business plans. Looking forwards, there are plans to report on compliance with functional standards as part of the annual business group governance statement returns starting next year. Additionally, Internal Audit are in the fourth year of a rolling programme of assurance to test the adequacy of the self-assessments taken by functional leads, the findings of this assurance work will help to strengthen the self-assessment approach.

Human Rights

We have procedures in place to ensure that all our policies and legislation are compliant with the Human Rights Act. Our approach is underpinned by understanding our customers and their needs, treating everyone with respect, recognising that we have privileged access to information (and need to protect that information), and behaving professionally with integrity.

Our conflict of interest policy

Within our policies on conduct, we have a 'conflict of interest' policy which is aligned to the Civil Service Management Code (section 4.3). This applies to all employees and non-executive directors. The policy explains what a conflict of interest is, and provides information on declaring, recording and managing outside interests.

A conflict of interest arises when personal interests, activities or relationships may potentially interfere, or be perceived to interfere, with business decisions, may compromise the ability to remain fair and objective, or may result in a personal gain or advantage.

Individuals are responsible for notifying their managers of any conflicts. The relevant manager or business area must determine whether there is in fact a conflict (actual, potential or perceived) and what mitigating action is to be taken, and the manager is responsible for recording this information. If the individual moves to another team or business area, they must assess whether a new notification needs to be made in relation to the new role.

In high-risk areas, conflicts are recorded on a register, which is maintained at a business unit level.

Senior Civil Service (SCS) colleagues are required to complete an annual declaration of interest via a central register which is held securely by SCS HR team. The information required for the register is a high-level record of the conversations already held with line managers to confirm that declarations of interest are up to date and includes nil returns. All SCS in HMRC were asked to complete their annual declaration of interest in December 2024 and HMRC is fully compliant with the Civil Service HR guidance. The form covers the whole period from 1 April 2024 until 31 March 2025. Therefore, if there are any changes after the form is completed, a new entry must be submitted, which can be completed at any time during the year.

SCS outside remuneration as at 31 March 2025, agreed through the process of declaration and management of outside interests, is reported at www.gov.uk/government/publications/hmrc-senior-officials-outside-employment-april-2024-to-march-2025 in accordance with The Code of Good Practice 2017 para 4.15 and HM Treasury Public Expenditure System (PES) guidance paras 19.4 and 19.8.

Recommendations made by external scrutiny bodies

We monitor the implementation of recommendations by external scrutiny bodies including the National Audit Office (NAO), Public Accounts Committee (PAC) and Infrastructure Projects Authority. In the 2024 to 2025 financial year, we received PAC recommendations from the following inquiries that our Accounting Officer provided evidence to.

Table 6: Committee of Public Accounts inquiries, reports and responses

Inquiry and hearing date	Government response
HMRC Customer Service and Accounts 2023-24 Hearing: 28 November 2024 - Report published: 22 January 2025	Published – 3 April 2025
Tax evasion in the retail sector Hearing: 16 December 2024 - Report published: 12 February 2025	Published – 3 April 2025
The cost of the tax system Hearing: 6 March 2025 - Report published: 30 April 2025	Forthcoming. Publication expected – 17 July 2025

We accepted or partially accepted 22 recommendations from NAO value for money reports published after 1 April 2024, and accepted 16 recommendations from the NAO management letter 2023 to 2024, subdivided into 27 sub-components, of which 18 were implemented by 1 April 2025. We also implemented 77 recommendations from the Infrastructure and Projects Authority.

+ Further detail on the status of all NAO recommendations the department has accepted since April 2019 can be found via the NAO recommendations tracker: www.nao.org.uk/recommendations-tracker



Statement of Accounting Officer's Responsibilities

How we prepare the accounts

HMRC is responsible for collecting the majority of the UK's tax revenue, including Income Tax for the Scottish and Welsh governments, and its financial information is reported in 2 separate accounts.

Trust Statement

The Trust Statement reports the revenues, expenditures, assets and liabilities related to the taxes and duties receivable and payable for the financial year. The majority of taxes and duties are accounted for on an accruals basis. As agreed with HM Treasury, some tax elements are accounted for on a partial accruals basis, or cash basis where not enough information is known to accrue fully and reliably for the revenue.

The HM Treasury 'Accounts Direction', issued under section 2 of the Exchequer and Audit Departments Act 1921, requires HMRC to prepare the Trust Statement to give a true and fair view of the state of affairs of the collection and allocation of taxes and duties, the revenue and expenditure, and cash flows for the financial year.

Resource Accounts

The Resource Accounts report the costs of running HMRC, including making payments of Child Benefit, corporation tax reliefs, personal tax credits and other payments to customers reportable to Parliament via HMRC's Supply Estimate. The Valuation Office Agency (VOA) is consolidated into the Resource Accounts. The Resource Accounts are prepared on an accruals basis.

The HM Treasury 'Accounts Direction', issued under the Government Resources and Accounts Act (GRAA) 2000, requires HMRC to prepare consolidated Resource Accounts to give a true and fair view of the state of affairs of HMRC and the departmental group and of the income and expenditure, Statement of Financial Position and cash flows of the departmental group for the financial year.

Principal Accounting Officer's responsibilities

HM Treasury has appointed me, as HMRC's Chief Executive, to be Principal Accounting Officer of HMRC and VOA, with overall responsibility for preparing the Trust Statement and Resource Accounts and for providing them to the Comptroller and Auditor General. In preparing these accounts, I am required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Directions issued by HM Treasury, including the relevant accounting standards and disclosure requirements, applying suitable accounting policies on a consistent basis
- ensure that HMRC has in place appropriate and reliable systems and procedures to carry out the consolidation process

- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by the Valuation Office Agency
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis

As Principal Accounting Officer, I take personal responsibility for the annual report and accounts and confirm that I have judged it to be fair, balanced and understandable.

Accounting Officers for the Resource Accounts

HMT appointed myself, John-Paul Marks, as the Principal Accounting Officer.

Jonathan Russell, Chief Executive of the Valuation Office Agency, was an Additional Accounting Officer and was accountable for the parts of HMRC's accounts relating to specified lines of the Estimate (see SOPS 1.1 at page 157 and SOPS 1.2 at page 159) and the associated assets, liabilities and cash flows. This appointment does not detract from my overall responsibility for the department's accounts.

The allocation of Accounting Officer responsibilities in the department was as follows:

- Estimate sections A, C-K and N-Q: John-Paul Marks, Chief Executive and Permanent Secretary
- Estimate sections B, L and M: Jonathan Russell, Chief Executive of the Valuation Office Agency

As Accounting Officer of HMRC I am responsible, through the use of appropriate systems and controls, for ensuring that any grants we make to our sponsored bodies are applied for the purposes intended. I also ensure that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the Resource Accounts. As Accounting Officer, I am accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

My responsibilities as Accounting Officer - which include the propriety and regularity of the public finances for which I am answerable, keeping proper records and safeguarding the assets of the department or non-departmental public body for which I am responsible – are set out in Managing Public Money, published by HM Treasury.

Auditors

As the Accounting Officer, I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

As far as I am aware, there is no relevant audit information of which the auditors are unaware.

Principal Accounting Officer's Report

HMRC's Chief Executive, John-Paul Marks, has been appointed by HM Treasury as Principal Accounting Officer for HMRC. In this report, he reviews the effectiveness of the governance, risk management and internal controls in place for our accounts. This report also contains the elements required for HMRC's Accounting Officer System Statement.

Financial responsibilities within HMRC

As HMRC's Principal Accounting Officer, I delegate financial authority to each of HMRC's directors general through annual letters of delegation (issued by my Chief Finance Officer) to manage the budget for their business areas within agreed financial limits and Managing Public Money guidelines. The directors general are supported by their finance directors and finance business partners. They cascade delegations of the financial authorities within their business areas, at each stage setting the limits of financial authority and our policy requirements.

This Scheme of Delegations is supported by our financial control framework, which ensures that we adhere to financial control standards in all our financial processes. The HMRC Risk and Control Board oversees the development and administration of our control standards, ensuring that financial risks are managed effectively and efficiently through proportionate risk-based controls. The effectiveness of the controls is subject to regular specialist financial control assurance review, and independent review by Internal Audit and the NAO.

Statements and reports made by Executive Committee (ExCom) members

Each member of ExCom provides an annual governance statement, setting out the control framework arrangements (governance, risk, control, assurance, process and data) in their business areas. These statements are reviewed by Internal Audit Control Board and the Corporate Risk Team, as well as teams that lead on different aspects of our control framework. HMRC's Audit and Risk Committee draws on the statements, alongside other sources of evidence, to provide overall assurance to the Accounting Officer and the Board.

The Tax Assurance Commissioner prepares a tax assurance report, which can be found on pages 120 to 132.

Additional Accounting Officers

I receive assurance from HMRC's Additional Accounting Officers:

- Jonathan Russell has responsibility for Valuation Office Agency (VOA) administration
- Jonathan Athow has responsibility for the Scottish and Welsh rates of Income Tax
- Justin Holliday has responsibility for the account of duties attributable to the Isle of Man
- Alison Bexfield has responsibility for the administration of R.N. Limited

The VOA provides a separate governance statement and I take assurance from this and from the review which underpins it.

National Insurance funds

There are 2 National Insurance Funds: one for Great Britain and one for Northern Ireland. Each Fund has its own financial statements, including a governance statement, which I sign separately. Many of the activities relating to the transactions of the 2 Funds are carried out by other departments and agencies (for example, Department for Work and Pensions in Great Britain and Department for Communities in Northern Ireland), and I receive letters of assurance from the accounting officers of each of these entities every year.

Quality assurance

HMRC has a departmental framework and central guidance to underpin quality assurance of business-critical analytical models (BCMs). BCMs are our most important analytical models. They affect HMRC or government decisions of significant financial scale, play a key role in fulfilling HMRC's business plan, or underpin high profile publications. We maintain a register of these models, consistent with recommendations from the 2013 MacPherson review. We have over 100 BCMs on the register. This number changes because the register is regularly updated.

Management and quality assurance of the analytical models are monitored in our annual review of BCMs, which is assessed by the Audit and Risk Committee. The quality assurance framework is promoted through regular training. We have a team which independently reviews a sample of BCMs, to provide assurance and share best practice. We have also improved model and quality assurance documentation.

We continue to develop our assurance of BCMs by strengthening governance and more clearly defining quality assurance standards in our guidance.

+ Read the MacPherson review of government models at [Review of quality assurance of government models - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/reviews/macpherson-review-of-government-models)

Internal audit

Overall opinion by The Director of Internal Audit: The overall opinion is limited assurance that HMRC has an adequate and effective framework for governance, risk management and internal control. HMRC's risk exposure has remained high throughout 2024-25, both operationally and in change delivery.

HMRC introduced changes to its governance during the year. For some changes it is too early to provide a view on their effectiveness. However, my opinion is that governance of HMRC remains broadly effective, with over three quarters of audits providing a positive governance opinion, albeit with some deterioration at assignment level. This has included a deterioration in results for 'accountability and ownership' and 'monitoring and assurance'.

Governance changes introduced to transformation have impacted the outcomes of some audits as the changes embed. Enterprise understanding and reporting of second line assurance remains largely linear, with opportunities for better alignment, efficiency and coverage yet to be realised. There is also the opportunity to better clarify some accountabilities, particularly for areas of the control framework that cross organisational boundaries. HMRC should ensure that accountability for operation and assurance of controls is overtly clear for all key components of its control framework, particularly given its ambitions around agile delivery and regime ownership.

Risk management has seen a small deterioration in audit results compared to 2023 to 2024. Importantly however, there have been improvements made to corporate risk management arrangements. Further progress is needed, however, to enable HMRC to confidently report an aggregated picture of risk below its top tier, which would benefit from use of a single risk tool. Similarly, risk appetite remains a work in progress. Assignment level opinions for risk management are generally positive, with three quarters of audits providing a positive opinion, albeit a five-percentage point drop on last year.

While risks are largely understood, and risk management arrangements are generally sufficient to support HMRC to deliver, at business group level, maturity, local arrangements and compliance with standards differs. This impacts on the adequacy of 'risk identification' in some areas, with audits showing a decline in positive results compared to 2023 to 2024. Overall risk exposure is unlikely to reduce significantly in the short term. Significant risks to efficiency, modernisation of IT and security systems, and delivering change require highly effective risk management arrangements. Capacity pressures will continue to be an issue requiring close management and there is a need for HMRC to further exploit efficiency opportunities.

My opinion on the adequacy of internal control is one of continued and significant challenge in delivering an effective control framework, but with some progress. For a number of the control themes, remediation is on a much slower track and in relation to technical health, security and data will take a number of years. Weaknesses in some security controls are of concern. At Departmental level, overall positive audit results for 'control effectiveness' fell from last year, with over a quarter of audits providing a limited control opinion and for half of our follow-up reviews we issued overall repeat limited opinions.

There remain significant control weaknesses to address, some of which require longer-term fixes or system changes. Delivery of improved control against many of these has been slow because they are either cross-cutting, difficult and / or legacy issues for which there are no easy fixes. In particular, parts of the IT estate are adversely impacted by long-standing issues,

with a commensurate impact on control design, efficiency and effectiveness. Reprioritisation decisions against a number of these issues has pushed remediation to the right.

Personal data-related incidents

All government departments are required to publish information about any serious data-related incidents, which must be reported to the Information Commissioner's Office (ICO). A summary of these incidents is shown in Table 7.

Table 7: Summary of protected personal data-related incidents reported to the Information Commissioner's Office

Nature of incident	Number of breaches	Number of breaches
	2024-25	2023-24
Personal information used to make changes to customer records on HMRC systems without authorisation	6	6
Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	1	3
Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	1	2
Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-	-
Unauthorised disclosure	11	14
Other	1	4

We have notified the ICO of 20 instances of personal data breaches affecting individual customers during 2024 to 2025 (2023 to 2024: 29). The number of customers potentially affected by these ICO notifiable incidents is 6,503 (2023 to 2024: 35,645). This figure could still change over time, as new information becomes available as a result of further enquiries and ongoing security incident investigations.

The number of personal data breaches reported to the ICO decreased in 2024 to 2025 due to ongoing data security training and enhanced General Data Protection Regulation (GDPR) awareness across the department. Security controls are always improving as lessons are learned from previous incidents. We take all these incidents seriously and are acting to address them (for more information on these actions see page 41).

Our fraud prevention and detection controls identified unauthorised attempts to access approximately 100,000 HMRC customer online tax accounts, representing around 0.22% of our customer base. These attempts were enabled by organised criminal groups using personal data obtained from external sources, including phishing campaigns and other cyber-enabled crime. Their objective was to exploit the PAYE system to generate unauthorised repayments from the Exchequer, rather than from individual customers. No customers experienced financial loss in respect of their tax affairs.

The ICO was notified in 2023 to 2024 and has been kept informed of the number of potentially affected customers. These incidents were detected by our customer protection monitoring systems, which triggered immediate action to prevent further unauthorised access.

We continue to apply lessons learned to strengthen our identity and authentication controls. Protecting customer data remains a priority, and we are delivering enhanced data security, governance and reporting across HMRC.

Other protected personal data-related incidents

Incidents which did not require reporting to the Information Commissioner are recorded centrally within HMRC. The overall number of centrally recorded incidents remains low and the number of customers affected has reduced from last year.

The number of centrally managed security incidents impacting on protected personal data in HMRC increased from 1 (2023 to 2024) to 2 in 2024 to 2025. The number of customers potentially affected by these incidents was 3 (2023 to 2024:10). The figures quoted for the number of customers affected can change over time, as new information becomes available due to further enquiries and ongoing security incident investigations.

+ For more information on how we manage our data, please go to pages 41 to 42.



Business Appointment Rules

In compliance with Business Appointment Rules (BAR), the department is transparent in the advice given to individual applications for senior staff. Advice regarding specific business appointments is published on a quarterly basis on GOV.UK. Since 2022, the BAR Governance Panel has provided central oversight of full Senior Civil Service (SCS) BAR applications and is responsible for assessing and reaching a decision on all full SCS BAR applications. A quarterly paper on the BAR is provided to the Audit and Risk Committee to support them in their role monitoring HMRC's application of the rules.

In 2022, HMRC introduced a new BAR assurance tool to help the SCS community to identify whether a full BAR application is needed when leaving HMRC. In 2023 a supplementary tool was launched for delegated grades, which helps colleagues identify where a BAR application must be made and makes it easier for BAR applications to be associated with their central employee record.

Statistics cover the period 1 April 2024 to 31 March 2025:

Table 8: Statistics on the application of business appointment rules

	SCS1 Population	SCS2 Population	For AA-G6 population
Number of exits from Crown Service (civil servants and special advisers)	36	8	4,665
Number of exits where Business Appointment Rules (BAR) applications were submitted	-	2	45
Number of BAR applications approved	-	2	45
Number of BAR applications where conditions were set	-	2	6
Number of BAR applications that were found to be unsuitable for the applicant to take up the new role	-	-	-
Number of breaches of the rules	-	-	[No detail available]

+ Read advice regarding specific business appointments at www.gov.uk/government/collections/hmrc-business-appointment-rules-advice

Control challenges in financial year 2024 to 2025

Over the past year, we have actively managed the following issues that posed a risk to delivery of our core work.

Tax credits error and fraud

The Comptroller and Auditor General has qualified his opinion on HMRC's Resource Account for payments that we make that are not in accordance with Parliamentary intent, due to overpayments as a result of error and fraud in personal tax credits.

The error and fraud overpayment rate has reduced from the high levels of 8.9% seen in financial year 2008 to 2009, hitting an all-time low central estimate of 4.2% (£85 million) of paid entitlement in financial year 2024 to 2025. Although not a statistically significant decrease from the 2023 to 2024 estimate of 4.7% (£365 million), the change is likely to be due to a large proportion of higher risk awards leaving the tax credits population between 2023 to 2024 and 2024 to 2025. HMRC had previously maintained levels of error and fraud within an established range of 4.4% to 5.5% between 2012 and 2024.

We estimate a tax credits underpayment rate of 0.8% (£15 million) for 2024 to 2025, the same as 0.8% (£60 million) in 2023 to 2024.

Estimates from 2022 to 2023 onwards are derived using a new projection methodology following the decision to cease the error and fraud random enquiry programme as tax credits caseloads reduced. Our last sample-based estimate of the error and fraud overpayment rate for 2021 to 2022 is 4.5% (£480 million).

HMRC has continued compliance activity throughout the closure of tax credits. Compliance activity in 2024 to 2025 focused mainly on checks to ensure that the few remaining awards were finalised correctly before they migrated to Universal Credit.

HMRC's accounts have been qualified since the inception of tax credits. As tax credits have now closed, and have been replaced by Universal Credit, administered by the Department for Work and Pensions, this will be the last year that the accounts are qualified for levels of error and fraud in personal tax credits.

Corporation Tax research and development tax relief error and fraud

The Comptroller and Auditor General has qualified his opinion on HMRC's Resource Account to include error and fraud in Corporation Tax research and development (R&D) tax reliefs. This is the third year the estimate for claims from small and medium enterprises (SME) has been prepared using the results of a random enquiry programme. The first illustrative estimate for 2022 to 2023 has been revised due to the introduction of random enquiry data relating to 2022 to 2023. See page 52 for more details.

The overall estimate of the level of error and fraud in 2022 to 2023 is 9.9% (£759 million) of the estimated cost of the reliefs. The level of error and fraud in 2022 to 2023 is 14.7% (£652 million) for the SME scheme and 3.3% (£107 million) for the RDEC (Research and Development expenditure credit) scheme. The overall rate of error and fraud in total R&D expenditure across the SME and RDEC schemes for 2022 to 2023 is lower than estimates for 2020 to 2021 and 2021 to 2022 reflecting legislative and operational changes to tackle error and fraud, notably the mandation of digital claims.

This estimate is lower than the previously published illustrative estimate for 2022 to 2023. For illustrative purposes, we have considered the possible error and fraud position for 2023 to 2024 and 2024 to 2025 expenditure to take account of legislative changes and operational measures. The legislative changes include rate changes, extending relief to data and cloud computing costs and the mandation of digital claims requiring additional information (including pre-notification of some claims). New information requirements have enabled HMRC to better identify and target risk and we have increased our compliance activity, increasing the number of staff working on R&D compliance to over 500 in 2024 to 2025 compared to 100 in 2021 to 2022. We estimate that the policy and operational measures that have been implemented have reduced error and fraud for expenditure in 2023 to 2024 and 2024 to 2025 to overall levels of 6.5% and 5.9% respectively.

Child Benefit error and fraud

The Comptroller and Auditor General has qualified his opinion on HMRC's Resource Account for payments that we make that are not in accordance with Parliamentary intent, due to error and fraud in Child Benefit. This is the second year that HMRC's Resource Account has been qualified due to levels of error and fraud in Child Benefit, and the second year that the estimate has been produced under improved methodology using monthly samples of Child Benefit data.

The central estimate of the error and fraud overpayment rate is 2.0% (£270 million) compared to 1.6% (£200 million) for 2023 to 2024. While there is an observed increase in error and fraud compared to 2023 to 2024, it is not statistically significant. As this is only the second error and fraud estimate prepared under the improved methodology, it is too early to say that there is a trend of increasing Child Benefit error and fraud. The main reasons for error and fraud are broadly consistent with the 2023 to 2024 assessment.

HMRC has strong controls for restricting error and fraud for new claims. Our compliance strategy is primarily focused on addressing subsequent changes in circumstance that go unreported. To improve the detection of changes, we have acquired 3 additional data sources in the last 12 months:

- data from the Home Office to identify customers who are no longer resident in the UK
- data from the Department for Work and Pensions to identify when older children claim benefits in their own right; and
- data from Student Finance England to detect changes in the young person's further education status

To support these interventions, HMRC is investing in 180 new compliance staff as announced in the Autumn Budget 2024. In addition, HMRC are exploiting the new Child Benefit digital service to ensure timely interaction with customers and increased customer self-reporting.

Cabinet Office Spend Controls

As a central government body, HMRC is required to comply with the Cabinet Office Spend Controls. These state that all central government organisations, including departments and the bodies they sponsor, must obtain approval from the Cabinet Office when they want to spend money on specified activities. The specified activities include commercial spend on all contracts with a value greater than £20 million. HMRC spends around £2.5 billion per annum with suppliers.

During 2025 HMRC identified an administrative error that had led to a contract continuing to spend money without the requisite Cabinet Office approvals. Although the contract spend has been entirely within HMRC budgetary approvals, the administrative error meant that the initial Cabinet Office approval was not renewed when the contract was extended. This has led to an overspend beyond Cabinet Office approvals of £36 million. The contract has since been given retrospective approval by the Cabinet Office.

As a result of this instance we have reviewed all other current contracts to confirm that Cabinet Office approval has been correctly sought and received. This comprehensive review has identified a further 2 existing contracts with similar administrative errors. Together these comprise an overspend beyond current Cabinet Office approvals of £26.6 million and £23.5 million respectively. Both contracts remain within HMRC budgetary controls and both contracts have since received retrospective approval from the Cabinet Office.

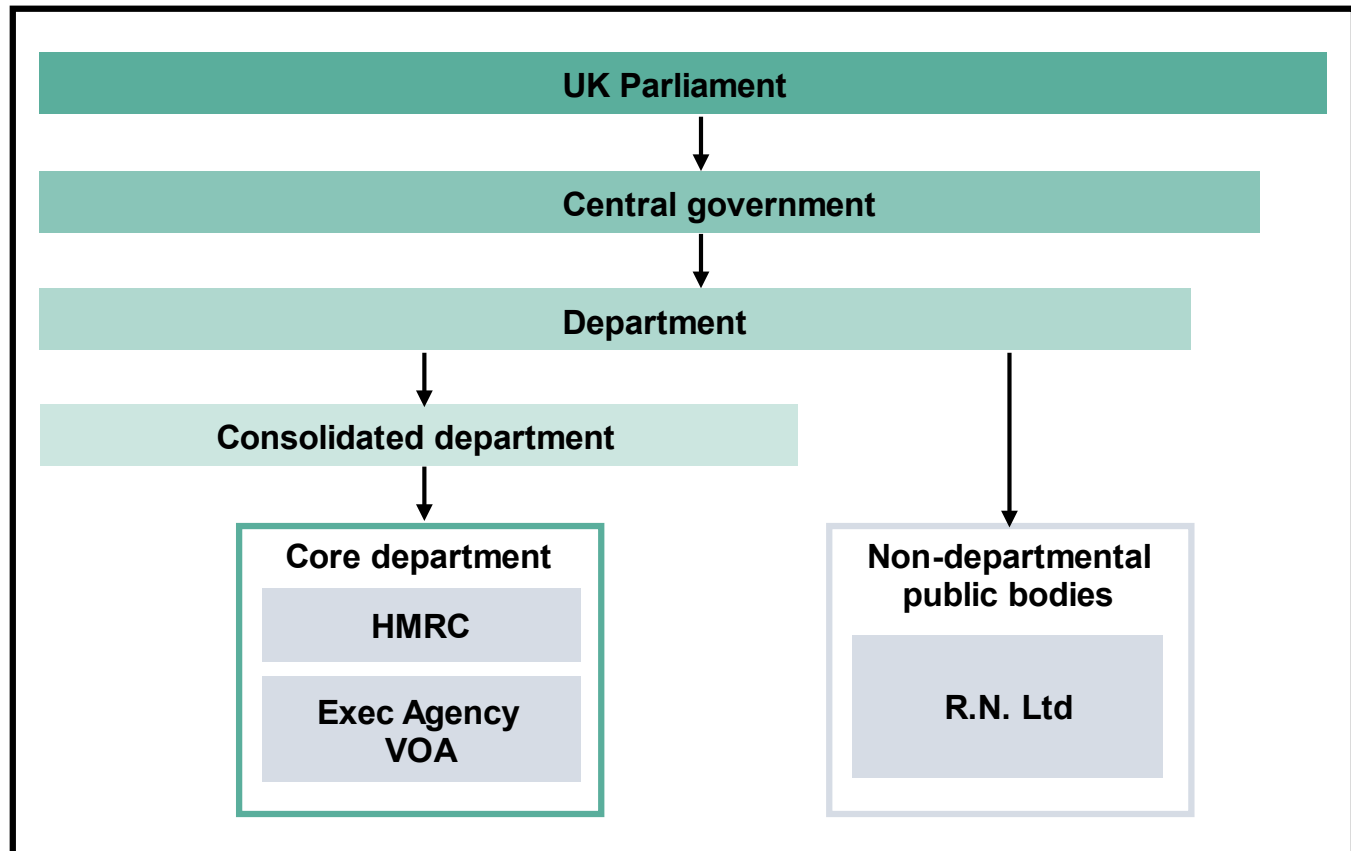
We have reviewed the controls within our systems that led to these administrative errors and have implemented changes to our procedures to strengthen controls and prevent any further recurrences.



Accountability relationships with arm's length bodies

HMRC has 2 arm's length bodies: Valuation Office Agency (VOA), an executive agency of HMRC, and R.N. Limited. I am satisfied that each of these has systems in place which meet appropriate standards of governance, decision-making and financial management.

Figure 22: HMRC accountability system



Valuation Office Agency (VOA)

The VOA is an executive agency of HMRC and provides valuations and property advice to the government and local authorities in England, Scotland and Wales. The VOA receives its funding to undertake valuations for local taxation and benefits purposes from HMRC through the Parliamentary supply process. It also recovers elements of its expenditure from other government departments where it has provided valuation services. In April 2025 the government announced that the VOA will be brought into HMRC by April 2026 and will cease to be an executive agency.

Performance monitoring

Jonathan Russell is the VOA's Chief Executive and Accounting Officer. He is also a member of HMRC's Executive Committee (ExCom).

In October 2024, new governance arrangements were introduced for the agency. HMRC's Board now provides strategic oversight of the VOA and replaced the VOA's Board. Additionally, HMRC's Audit and Risk Committee has replaced the VOA's Audit Risk and Assurance Committee. HMRC's Board provides advice, scrutiny, and challenge to both HMRC and the VOA, and is chaired by the Exchequer Secretary to the Treasury. HMRC's ExCom performance hub and transformation performance pack includes VOA data and VOA performance is included in the Delivery Report to the HMRC Board.

HMRC's performance teams work closely with VOA on reporting, and HMRC has a dedicated sponsor team for the VOA and ExCom sponsor, Justin Holliday. The teams have a good understanding of the VOA and I am content that our oversight is working well. I hold quarterly Business Reviews with Jonathan Russell, and he attends the HMRC Board at least twice a year and other specific meetings upon request.

Accountability for spending

Jonathan Russell is accountable to Parliament for the propriety and regularity of the public finance within his charge, meeting the requirements of Managing Public Money, HM Treasury and Cabinet Office guidance, Public Accounts Committee and other Parliamentary select committees or authorities. As Principal Accounting Officer, I am accountable for ensuring a high standard of financial management by strategic oversight of the VOA.

R.N. Ltd

R.N. Ltd is a private company limited by shares held by the Treasury Solicitor on trust for the HMRC Commissioners. R.N. Ltd acts as a nominee for the commissioners and the company holds charges over assets that secure tax debts owing to HMRC. It holds registered title over assets assigned to HMRC in settlement of tax liabilities. R.N. Ltd had 4 directors on 31 March 2025. The Accounting Officer is Alison Bexfield, HMRC Chief Risk Officer, who has authority delegated by the HMRC Commissioners to give directions to the Treasury Solicitor on the shareholding of R.N. Ltd.

There is a formal agreement between HMRC and R.N. Ltd and ExCom-level sponsorship from Justin Holliday. R.N. Ltd has no employees. The Accounting Assurance and Reporting Team within HMRC's Risk, Control and Financial Accounting directorate provides case work administration, accounts production and secretarial services. The running costs of R.N. Ltd are met by HMRC.

Performance monitoring

The R.N. Ltd Board meets quarterly. All Board meetings discuss strategy and monitor the success of R.N.'s strategies as well as any associated risks. The Accounting Assurance and Reporting team monitors the risks and provides regular updates to the R.N. Ltd Board.

Accountability for spending

R.N. Ltd has no specific budget. The value of the assets over which the company holds charges and has title assigned amounts to £10.3 million (Voluntary Legal Charges £7.3 million and Funding Bonds/ Shares £3.0 million). These assets are excluded from the R.N. Ltd balance sheet, as the company holds these in a nominee capacity. In addition to preparing the accounts for R.N. Ltd, the HMRC Accounting Assurance and Reporting team also keeps a register for R.N. Ltd where all controls are listed and monitored.

Other organisations

Entrust is an organisation that regulates the Landfill Communities Fund (a tax credit scheme enabling landfill operators to fund environmental bodies to undertake specified environmental projects). A levy on contributions to environmental bodies, set annually by HMRC and announced at Budget, funds Entrust. Entrust is not an arm's length body of HMRC but has a close relationship with HMRC similar to other bodies.

Accountability for major contracts and outsourced services

The scope of this section is limited to major contracts and outsourced services. In 2024 to 2025, HMRC provided grant schemes in accordance with relevant guidelines to the Voluntary and Community Sector who provide advice and assistance to vulnerable clients on their tax affairs, operated by third parties.

IT contracts

HMRC has several major contracts that are significant in ensuring that it can deliver its core services. Our IT services are supported through contracts with suppliers valued approximately at £1.6 billion in total, each year. HMRC continues to deliver better value from using well-established performance measures and competing work on a regular basis using a variety of different routes to market.

To support this a new bespoke framework for Digital and Legacy Application Services (DALAS) has been developed jointly by HMRC and Crown Commercial Services (CCS). It is designed to support HMRC's digital transformation by enabling more agile, outcome-focused procurement of application services. DALAS facilitates the transition away from legacy service integrators by offering a structured, multi-lot approach that encourages competition, innovation and Small and Medium Enterprises participation.

Our digital transformation continues which will facilitate a move to lower cost and highly resilient cloud data storage services.

Facilities Management and Security Contracts

HMRC's 6 regional Facilities Management contracts expired on 30 April 2025 and were replaced by 2 national contracts (East and West), covering all of our facilities management needs. These contracts have been awarded on a 5-year term, with a combined value of £150 million, both of which are now running live.

The contract for physical security services across our premises is delivered through a single national agreement, which commenced in June 2024. The 5-year contract is valued at £14 million per year.

These contracts are essential to supporting our operations across Regional Centres and Specialist Sites (including Valuation Office Agency locations), ensuring contractual resilience across the UK.

Conclusion

Based on the review outlined above, I conclude that HMRC has a sound system of governance, risk management and internal control that supports the department's aims and objectives for 2024 to 2025.

We are clear on the areas we need to focus on to improve risk and control. We have challenges and areas to improve, as Internal Audit has identified. I have considered Internal Audit's opinion with my Executive leadership team to determine how best to address the findings. I am confident that with determined leadership we can and will deliver our planned mitigations and reduce our risk exposure as we go forwards. We have secured the investment to do so as part of the latest Spending Review.

Our transformation plans set out how we will transform over the Spending Review 2025 period, outlining how we plan to modernise and reform tax and customs administration – as a digital-first organisation. As we do this, we will be taking the opportunities it presents to reduce our risk exposure. One area we will be particularly focusing on is Cyber Security. Our Board considered Cyber Security at its meeting in June to challenge and assure itself of our management of this risk, the Board is also due to review our business resilience and disaster recovery response at its meeting in September.



John-Paul Marks
Accounting Officer
15 July 2025

HMRC Charter

Our Charter sits at the heart of what we do, setting out the standards of service and behaviours that customers should always expect from us. We are fully committed to our Charter because the experience our customers have is central to our vision of being a trusted, modern tax and customs department.

Our Charter standards are:

- Getting things right
- Making things easy
- Being responsive
- Treating you fairly
- Being aware of your personal situation
- Recognising that someone can represent you
- Keeping your data secure

Further detail on our Charter standards are shown within the Charter Stakeholder assessment on page 115.



“In last year’s Charter Annual Report, while acknowledging good progress, I commented on the need for HMRC to quickly improve the service performance to its customers. Therefore, I was pleased to see improved service levels this year, through both increased resources and enhancements to HMRC’s digital offering.

HMRC has also committed to further improving its customers’ experiences. As a committee, we will challenge and support HMRC to achieve this across all channels.

We are working closely with HMRC as they develop their transformation plans, which have had extensive input from various stakeholders, including considerable input and challenge from the Board. Listening to Intermediaries and a broader range of external stakeholders, is key to continued progress towards the department’s ambitions. HMRC must continue to seek a wide variety of both customer and stakeholder feedback and be able to respond to this swiftly. It is reassuring that HMRC will regularly and transparently report on progress, and we look forward to receiving updates on improvements made.

I am pleased to see a continued increase this year in the number of online customer interactions and customers self-serving, with the HMRC app now having more than 5.9 million users. Furthermore, HMRC has established processes for providing extra support to customers who may experience difficulties. I challenge HMRC to continuously review these processes and continue investing in digital services and focusing on the end-to-end journey experience across all channels, which are critical for HMRC to deliver its Charter standards.

To accelerate a future-fit customer experience culture at HMRC, we continued to emphasise the importance of efforts on internal training, education and comms, around the HMRC Charter and customer excellence across the organisation.

I would like to thank my fellow Customer Service Committee members for their support.”

Jen Tippin, Chair of the Customer Service Committee (CSC)



Assessment from the Independent Adjudicator

Mike McMahon, CSC member and the Independent Adjudicator for HMRC and the VOA:

My office has always welcomed the opportunity to contribute to HMRC's assessment of how well it embraces and embeds the Charter. We are, and will remain, a critical friend for HMRC – acknowledging what HMRC does well and challenging it where it can improve.

Year on year we have emphasised the importance of the Charter to all that HMRC does. I am hopeful that this coming year will see real change.

But context is important. HMRC is a huge and complex department. Whilst I and many others would like to see real-world improvements for HMRC's customers to come quicker, I also appreciate that change takes time.

But there is cause for hope. Since the summer of 2024, HMRC has improved its customer facing performance, and that has largely sustained. I am hopeful that this is the springboard for continued improvement so that HMRC can say with confidence, that it is trusted by the people who interact with it.

I see a lot of cases where guidance and policy appear to me to conflict with the intention of the Charter. I also have first-hand experience of HMRC's staff being unsure how they are meant to use the Charter in their decision-making. Therein lies an opportunity for HMRC which I believe would be transformative.

In my view, when you distil the Charter to its fundamental purpose, it's really about fairness – fairness for the people who interact with HMRC, fairness for the citizens of this country who rely on HMRC to collect the tax that pays for the services we all need; fairness for the people who work in HMRC.

Other sectors have similar commitments as those set out in the Charter. In the financial sector, those commitments are largely embodied in legislation. Legislation requires HMRC to have a Charter, but it is less clear what its obligations are to use it effectively.

I believe it would transform HMRC if it made a clear, unequivocal statement, for its people and customers, setting out what the Charter means. By that, I specifically mean, what its standing is. In doing so, I firmly believe I would see fairer, more customer focused decision-making and increased trust in HMRC. My personal view is that the Charter should normally be the first consideration in all that HMRC does.

I also believe better use of the Charter would significantly improve compliance. Many customers I deal with are confused or worried or both, so avoid contact with HMRC. The stereotype of a determined tax avoider is the exception rather than the rule in my experience.

I can see that HMRC are trying to improve in an incredibly complex environment. I am listened to, and action is taken when I raise concerns about how Charter focused its decision-making is. This year is an opportunity to provide real clarity about what the Charter means and to fully implement that in a way that its people can use, building on the improved picture we have seen since the summer.

In doing so, HMRC will go a long way to being the trusted tax authority it aspires to and which I truly believe it can be.

The Charter Stakeholder Group

The Charter Stakeholder Group's membership includes external tax representative bodies whose role is to assist the Customer Service Committee in evaluating the extent to which we have demonstrated the Charter standards. The full list of members is shown on page 118.

The Charter Stakeholder Group's 2024 to 2025 review of our performance against the Charter:

We have considered HMRC's performance in 2024 to 2025 against its Charter. To provide evidence-based feedback, we undertook a survey of agents and taxpayers over a five-week period predominantly in April 2025. We received 551 responses in total, including 387 from agents and 134 from individual and business taxpayers.

The survey repeated the previous years' questions, scoring between 1 and 10 for HMRC's performance against each of the Charter standards, and allowed freeform comments. We have shared the full results with HMRC.

Like previous years, complaints about HMRC's service dominate the feedback and heavily influence the scores and freeform comments, although there is some improvement over last year's scores. 'Being responsive' again scored the lowest of the Charter standards, at just 3.0 out of 10 on average. 'Making things easy' and 'getting things right' also scored poorly at 3.3 and 4.1 respectively. Like last year, these 3 standards are the lowest scoring, which is disappointing as between them they represent the 'health' of the tax system.

82% of respondents do not think that HMRC is held sufficiently accountable for its performance against the Charter, with only 7% considering they are (the remainder unsure).

Getting things right - We'll give you accurate, consistent and clear information. This will help you meet your obligations, and understand your rights and what you can claim. When we ask for information, we rely on you to give us full, accurate and timely answers. If you disagree with us, we'll tell you about options available to you and work with you to reach an appropriate outcome quickly and simply.

HMRC received 4.1 out of 10 (3.5 last year), with agents scoring HMRC lower (3.8) than taxpayers (4.4). The score that received the most votes was 1 out of 10, given by almost one-fifth of all respondents, and more than one-quarter of taxpayers.

Many respondents commented that, while HMRC helpline staff may be "polite" and "trying to help", they are often lacking the training and expertise to assist agents or taxpayers with their queries. Concerns were raised that HMRC make too many basic errors. Respondents felt that HMRC lack accountability, since poor customer service can prevent agents and taxpayers from resolving these errors, resulting in the taxpayer being penalised.

Making things easy - We'll provide services that are designed around what you need to do, and are accessible, easy and quick to use, minimising the cost to you.

This was the second worst performing area with an average score of 3.3 out of 10 (2.8 last year), with agents scoring HMRC lower (3.0) than taxpayers (3.8). Nearly two-thirds of respondents scored HMRC 3 out of 10 or less, and over a quarter scored 1 out of 10.

There was frustration at the continued direction to the use of online tools, when all avenues have already been exhausted and online tools are not fit for purpose. The following quote captures the general feeling “They [HMRC] are very patchy. Some parts are excellent, but some seem to be actively working against the charter HMRC's ability to carry out basic administration in a timely manner is having a serious negative impact on day-to-day business.... Most of this could be done by the taxpayer or agent in a fraction of the time, if HMRC didn't act as gatekeeper.”

Being responsive - When you get in touch with us, we'll make sure that the people you deal with have the right level of expertise. We'll answer your questions and resolve things first time, or as quickly as we can. We'll also explain what happens next and when you can expect a response from us. If we make a mistake, we'll put it right as soon as possible. If you're not satisfied with the service you've received, we'll explain how you can make a complaint.

Like last year, this was the lowest scoring Charter standard, with an average of 3.0 out of 10, a slight increase from 2.4, with agents scoring HMRC lower (2.7) than taxpayers (3.6). Just under 40% of respondents scored HMRC just 1 out of 10.

Agents voiced their displeasure with the time taken to start initial contact and then receive a response from HMRC, regardless of the communication method used. “The wait time on calls is unacceptable, as is the response to letters”. Many of the taxpayer respondents agreed. “Slow to respond to both written and telephone submissions” was a typical sentiment expressed.

Treating you fairly - We'll work within the law to make sure everyone pays the right amount of tax and gets their benefits and other entitlements. We'll assume you're telling the truth, unless we've good reason to think you're not.

HMRC scored an average of 5.3 out of 10 (5.0 last year), with agents and taxpayers scoring HMRC about the same.

While the average score is only marginally higher this year, it masks a marked increase in taxpayer satisfaction compared to last year. This would suggest that the work within HMRC's Customer Compliance Group (CCG) to embed and apply its Compliance Professional Standards is having a beneficial impact on taxpayers' perception of their treatment. However, agents dealing with more complex taxpayer cases continue to raise concerns with the quality and understanding of tax knowledge displayed by some compliance officers and the objectivity and consistency in their application.

Being aware of your personal situation - We'll listen to your worries and answer any questions clearly and concisely. We'll be mindful of your wider personal situation, and will give you extra support if you need it.

HMRC scored an average of 4.5 out of 10 (4.1 last year). The improvement from last year comes from personal and business taxpayers; the percentage scoring a one dropped from 43% to 25%, which is still high, but shows improvement.

Some common themes include:

- HMRC not providing timescales – busy agents get frustrated when their workload and planning are not respected, or when HMRC stipulates timescales they don't adhere to themselves
- “Hiding behind a computer” or using a script – can interfere with the customers query being understood or resolved

Recognising that someone can represent you - We'll respect your wish to have someone else deal with us on your behalf, such as an accountant, friend or a relative. We'll only deal with them if you have authorised them to represent you. To protect you, HMRC works with professional bodies to set the standard expected of professional tax advisers who support you to meet your tax obligations. We can refuse to work with professional tax advisers who fail to adhere to this standard.

HMRC scored an average of 6.0 out of 10 (5.7 last year). In contrast to the previous two years, this year agents scored HMRC lower (5.9) than taxpayers (6.2).

Agents reiterate that they cannot access all the information that their clients can see - or do everything that their clients can do online. Agents would like to use digital options but because of gaps in the digital services available for agents, they must call HMRC. Long delays on the Agent Dedicated Line were a significant issue.

Keeping your data secure - We'll protect information we hold about you and treat it as private and confidential. We'll always use that information fairly and lawfully.

Taxpayers and agents generally consider that HMRC is meeting this Charter standard, scoring an average of 7.0 out of 10 (6.8 last year), with agents and taxpayers scoring HMRC about the same.

However, respondents mentioned concerns over confidentiality arising from being able to hear household activity in the background when contact centre staff are working from home. Concerns were also expressed over the number of security breaches of online HMRC accounts and it being extremely difficult to resolve fraudulent filings.

Mutual respect - We take any threats, intimidation or harassment very seriously and will take appropriate action against any behaviour of this type. We'll always treat you in line with our values of respect, professionalism and integrity. Our employees are people too and we expect you to treat them in the same way.

HMRC scored an average of 6.0 (5.6 last year), and agents scored HMRC marginally higher (6.0) than taxpayers themselves (5.8). Respondents mentioned the unequal relationship between HMRC and taxpayers and agents, and standards not being balanced or fair. HMRC sets deadlines for taxpayers that do not match its own response times. Some respondents said that HMRC's attitude towards taxpayers and their representatives can be dismissive and unprofessional, with phone calls cut off abruptly and no real mechanism for escalating issues

Charter Stakeholder Group membership:

The members of the group are listed below:

- Institute of Chartered Accountants in England and Wales
- Low Incomes Tax Reform Group
- Association of Chartered Certified Accountants
- Chartered Institute of Payroll Professionals
- Admin Burdens Advisory Board
- Institute of Chartered Accountants of Scotland
- The Association of Taxation Technicians
- The Chartered Institute of Taxation
- Institute of Financial Accountants

HMRC's assessment of our performance against the Charter

We remain fully committed to the Charter and our customers' experience is central to our vision of being a trusted, modern tax and customs department. During 2024 to 2025 we considered stakeholder feedback from last year's Charter report as well as listening and working more closely with external stakeholders to improve services.

2024 to 2025 remained a challenging year as our customer base continued to grow and the number of customers with complex needs increased. While traditional phone and post services weren't where we would like them to be, services improved as the year progressed. We also saw more customers successfully using online services than in the previous year.

This report references many ways that we have delivered on our Charter standards in the last year. In response to last year's feedback, we have also:

- expanded the use of online digital assistants to help customers quickly find the information they need or link them to a webchat adviser
- created a GOV.UK interactive guidance tool bringing together guidance to make it easier for customers to understand the compliance process. Customers now have accurate information to help meet their obligations and understand their rights
- improved our guidance and delivered training to our compliance workforce so they can better support customers who need extra help
- extended the digital child benefit claims service, with parents also now able to use familiar payment platforms to pay for Tax-Free Childcare
- enhanced the Time to Pay service so more customers can manage their debt online. Customers can now top up their National Insurance contributions online and both services are designed to be accessible, easy to use and reduce costs

- trained around 1,600 new compliance colleagues in Customer Compliance Group to embed the Charter through the Compliance Professional standards
- taken action to address the cyclical nature of complaints. This includes regular root cause analysis to identify trends, resolving customer issues at first contact and using insight to reduce complaints and improve services

The Customer Service subcommittee, the Adjudicator, external stakeholders and our customers rightly continue to challenge us on our delivery of the Charter. There is still more to do to embed the Charter; we are committed to being a customer centric organisation that has the Charter at its heart. We expect to deliver the step change needed during 2025 to 2026 and the Customer Service Committee, the Adjudicator and the external Charter Stakeholder Group will hold us to account to deliver. We are very grateful to colleagues for their leadership, advice, challenge and support.



Tax Assurance Commissioner's report

Foreword

When I reflect on the 2024 to 2025 financial year, I am proud of HMRC's ongoing work to ensure we resolve tax disputes fairly, efficiently and consistently. As the Tax Assurance Commissioner, I aim to provide confidence to the public that robust scrutiny and challenge is provided on HMRC's largest tax disputes and that HMRC is fair and consistent in its treatment of all customers. I chair a panel of 3 Commissioners to make decisions on the largest and most significant tax cases and a sample of smaller cases in accordance with our Code of Governance.



This year, we have continued to work on improving the customer compliance journey, including training and upskilling events for caseworkers and managers to help get things right first time. We are involving taxpayers and their representatives in this training, for example, we delivered a masterclass for trainees on providing timely response to customers in collaboration with taxpayer representatives.

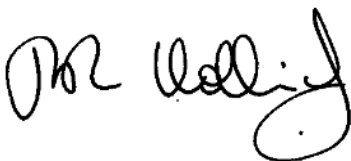
We have launched a new framework to provide a clear structure for managers to oversee risks and operate controls within our compliance processes. This will help to ensure a consistent approach across our work and gives managers the tools and knowledge to check the standard of casework and professionalism of staff. We have also introduced a new interactive training programme to strengthen decision making capability, ensuring caseworkers are able to apply judgment and discretion consistently in resolving cases.

We have maintained capability and consistency in the application of the Litigation and Settlement Strategy, including supporting case teams on more complex enquiries. This year we've updated the remit of the Contentious Issues Panel and the Anti-Avoidance Board on GOV.UK. We have launched a consultation looking at how to improve HMRC's approach to dispute resolution, including statutory review and Alternative Dispute Resolution.

The results from the Tax Assurance Settlement Programme demonstrate that we have maintained overall compliance at a consistent level of performance during the past 3 years against our policy, legal and customer standards. Feedback has been provided to senior leaders and managers on areas for improvement.

I look forward to provide continuing assurance on how HMRC manages its disputes and the measures we've taken to improve standards. This is a contribution to building trust in HMRC's administration of the tax system.

+ Remit for AAB & CIP Boards: www.gov.uk/government/publications/issues-board-remits

A handwritten signature in black ink, appearing to read 'Justin Holliday'.

Justin Holliday
Tax Assurance Commissioner and Chief Finance Officer

Our approach to tax disputes

HMRC's framework for resolving tax disputes

We aim to support our customers to get their tax right from the outset by designing a framework of policy and guidance to help them navigate the tax system. Where they need additional help to meet their tax obligations we aim to resolve issues at first contact, whether using digital or traditional channels.

The HMRC Charter defines the standard of service and behaviour that customers should expect when dealing with us. It explains how we aim to get things right, make things easy for customers and be fair, responsive and aware of their personal situations. We are committed to meeting our Charter commitments and improving our customer experience.

There are occasions where we need to conduct a compliance check because there is a risk that a customer's tax returns are not correct. Our Compliance Professional Standards, which are based on the HMRC Charter, set out how we will behave and act when conducting any form of compliance activity. We closely monitor performance against our standards and take steps to implement further improvements where necessary. We aim to continue to improve the quality of our compliance casework, including strengthening our controls and assurance activities.

This is underpinned by our Litigation and Settlement Strategy (LSS), the framework within which we resolve tax disputes through civil law processes and procedures. It applies whether the dispute is resolved by agreement with the customer or through litigation. We aim to apply the law fairly and consistently to secure the best practicable return for the Exchequer.

- + Read HMRC's Charter at www.gov.uk/government/publications/hmrc-charter/the-hmrc-charter
- + Read HMRC's Litigation and Settlement Strategy at www.gov.uk/government/publications/litigation-and-settlement-strategy-lss
- + Read HMRC's Compliance Professional Standards at www.gov.uk/government/publications/professional-standards-for-hmrcs-compliance-work/hmrc-professional-standards-for-compliance

Our collaborative approach to handling and resolving tax disputes

We aim to work collaboratively with customers and their agents to establish the correct tax position. We resolve most tax disputes by agreement with customers. We seek to resolve any dispute as quickly and cost-effectively as possible, in accordance with the law, our LSS and our 'Code of Governance for resolving tax disputes'. However, we know there will be occasions where HMRC and our customers continue to disagree on the amount of tax that is due.

Where we cannot reach an agreement, there are several options that a customer or HMRC can take to agree a resolution, including mediation through Alternative Dispute Resolution, a statutory review of the matter and/or litigation, where an independent tax tribunal is asked to determine the dispute.

We consider a number of factors when deciding whether to pursue a tax dispute but generally, we will only pursue disputes where we believe that we will secure the best practicable return for the Exchequer and that we will likely be successful in litigation. We ensure that both the substance of any decision leading to resolution of the dispute and the way that resolution is put into effect are fully in accordance with the law.

- + Read HMRC's 'Code of governance for resolving tax disputes' at www.gov.uk/government/publications/resolving-tax-disputes

Our approach to dealing with fraud

HMRC's approach is to support the vast majority who try to get their tax right through guidance, educational material and responsive customer service. However, we will respond robustly to those who try to cheat or attack the tax system. Our approach to dealing with fraud is to use a range of responses, including our civil compliance penalties for deliberate misconduct through to our criminal investigation powers for cases:

- where HMRC needs to send a strong deterrent message
- where only a criminal sanction is appropriate, or
- where a civil compliance approach will not be effective

+ Read HMRC's criminal investigation policy at www.gov.uk/government/publications/criminal-investigation/hmrc-criminal-investigation-policy

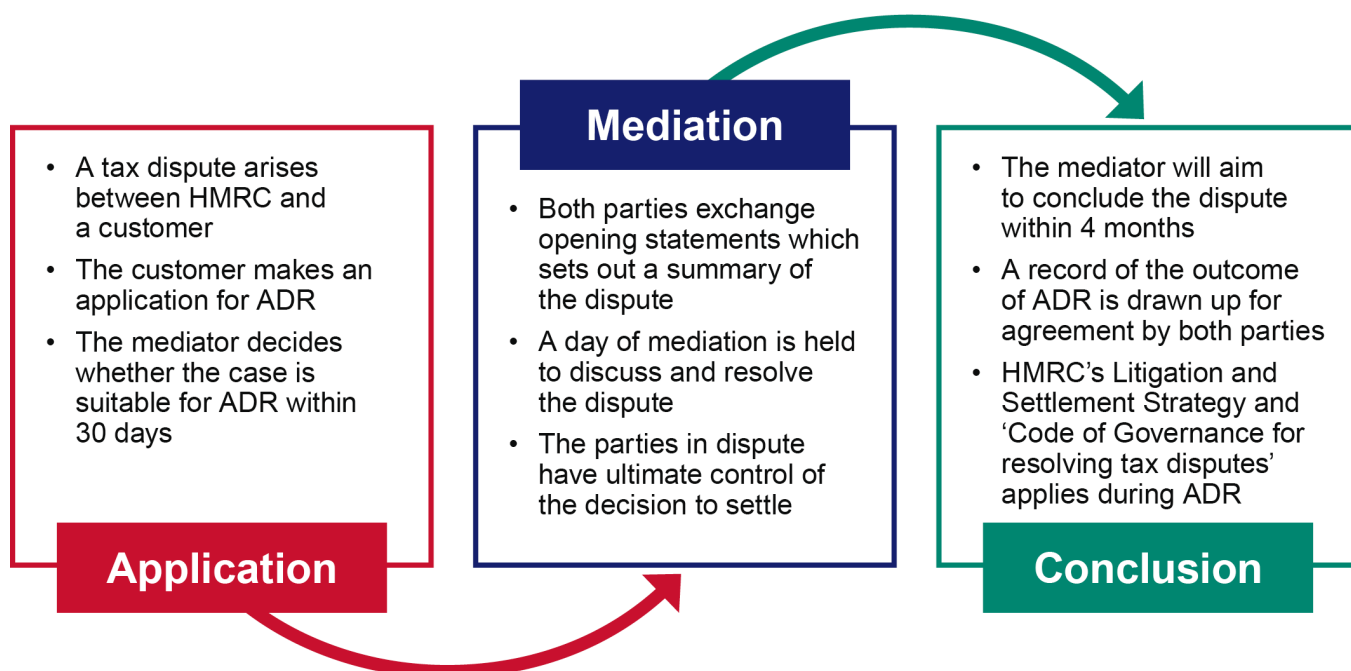
How we resolve tax disputes

We aim to support customers to resolve disputes with us collaboratively and by agreement where possible. During a compliance check, we call or write to customers or their agent if they have one, to say what we want to check and why. Customers can authorise someone else to deal with the matter on their behalf throughout the check, such as an accountant, friend or a relative. During the check, we may request for customers to send us any information or documents that we need or to meet with us to discuss their tax affairs.

We provide extra support to customers who may have a health condition or personal circumstances that make it difficult for them to deal with the compliance check. If our checks reveal that an incorrect amount of tax has been paid, we issue an assessment or amend the return to collect any unpaid tax. We reach resolution with customers in the majority of disputes by agreement but, if a customer does not agree with our decision, they can appeal against the assessment, apply for statutory review or Alternative Dispute Resolution.

Alternative Dispute Resolution (ADR)

ADR in HMRC is a flexible resolution process which can be used by HMRC and customers at any stage of a compliance check. It involves an impartial and neutral HMRC mediator actively assisting parties to work towards resolving a tax dispute outside of the tribunal or court. In some cases, ADR can be used to progress a case by assisting the parties during the course of an enquiry to overcome an area of disagreement which is inhibiting progress.

Figure 23: ADR Process in HMRC

Most ADR applications are submitted once we have made a decision on the amount of tax due and the customer has appealed – but it is possible to consider ADR at any point during a compliance check. Customers can apply for ADR via telephone or online through GOV.UK. We have set up an internal route for HMRC caseworkers to apply directly for ADR which will only be accepted with the customer's agreement. The mediator will decide within 30 days of receiving the application whether the case is suitable for ADR.

The types of case which are out of scope for ADR can be found in the published ADR guidance on GOV.UK. These are usually cases where ADR cannot add value to the dispute because, for example, legal precedent is set and there is no apparent scope for HMRC to amend the decision. If the mediator has concerns about whether the case is suitable for ADR or whether ADR can add value, the case is referred to an internal governance panel for consideration.

+ Read HMRC's ADR Guidance at www.gov.uk/hmrc-internal-manuals/alternative-dispute-resolution-guidance

If we agree to enter into ADR, the mediator will work with the HMRC caseworker and the customer to try to resolve the dispute. The mediator will aim to conclude the process within 4 months. The parties in dispute have ultimate control over the decision on whether to settle.

ADR continues to have a positive impact on 89% of the cases which are accepted into the process. In this instance, positive impact means that the case has been progressed, either by fully or partially resolving the dispute, or by clarifying both sides' positions and enabling them to make an informed decision on how to move forward. The majority of mediations take place via video which helps provide greater operational flexibility and reduce costs.

Table 9: Alternative dispute referrals

	2024-25	2023-24
Total applications for ADR (either side can propose ADR)	1,653	1,309
Cases accepted into ADR	663	512
Cases rejected by governance panels	434	334
Cases rejected as being Out of Scope	191	326
Cases withdrawn by applicant	213	66
Cases awaiting triage decision	246	71
Total	1,653	1,309
Cases closed	521 ¹	367
Of which: Cases resolved	462 ¹	307
Percentage of cases resolved	88.7%	83.7%
Live cases	253	225

¹ This figure includes applications from a previous tax year.

Reviews and appeals

If a customer disputes an appealable tax decision, they can request a statutory review of the decision and/or appeal to the independent tax tribunal. Reviews usually settle disputes and are quicker and more cost-effective than appeals. It can therefore be beneficial to customers to seek a review in the first instance. If a customer requests a review and does not agree with the outcome, they can still make an appeal to the tribunal.

Reviews

All HMRC reviews are principally overseen by tax, legal or accountancy professionals working in our Legal group. To ensure an objective and impartial review service, HMRC ensures that these officers were not involved in the original decision.

The statutory review process provides an additional opportunity to resolve disputes without the need for tribunal proceedings. The statutory review process checks whether the decision is in line with legislation and technical guidance, policy, and practice. The review is also an opportunity to provide feedback internally to HMRC caseworkers and improve decision making.

We carry out the review ensuring:

- a transparent review of decisions
- quality and consistency in our review conclusions
- even-handed dealing with taxpayers at review
- as many disputes as possible are resolved without tribunal proceedings

Table 10: Overview of outcomes of reviews

Statutory reviews of automated penalties and default surcharge¹	2024-25	2023-24
Dealt with in the year	69,341	50,881
HMRC original decision upheld	22,786	13,245
HMRC decision varied	289	1,760
HMRC decision cancelled	46,266	35,876
Percentage where original HMRC decision was upheld	33%	26%
All other reviews		
Dealt with in the year	5,834	5,226
HMRC original decision upheld	4,246	3,729
HMRC decision varied	900	930
HMRC decision cancelled	688	567
Percentage where original HMRC decision was upheld	73%	71%
All Statutory Reviews		
Dealt with in the year	75,175	56,107
HMRC original decision upheld	27,032	16,974
HMRC decision varied	1,189	2,690
HMRC decision cancelled	46,954	36,443
Percentage where original HMRC decision was upheld	36%	30%

1 In 2024 to 2025, HMRC issued 9,070,279 automated penalties, penalty points and default surcharges (2023 to 2024: 8,186,378).

The figures in this report show an increase in the volume of automated penalties which is due to reforms made to the penalty process. Following penalty reform, customers receive a penalty point each time they miss a submission deadline which accrue towards a threshold. Once the points threshold is exceeded, customers are issued with a financial penalty. There is now the facility for customers to appeal both late submission penalties and points as well as late payment penalties online through their Online Account. This makes the process easier, and more likely that customers will use the service. As more customers move into penalty reform, an increase in the overall volume of appeals and statutory reviews is likely while customers become accustomed to their new obligations.

Appeals

Where a customer chooses to appeal a tax decision it will normally be to the First-tier Tribunal (FTT). Where a customer disputes the lawfulness of a decision then they may also request a Judicial Review (JR). A request for JR will normally be made to the High Court. Most appeals are settled between the customer and HMRC without requiring the tribunal or court to hear the appeal but where agreement cannot be reached the tribunal, or court will schedule a hearing to listen to both sides of the argument before issuing their judgment. If either the customer or HMRC are dissatisfied with the judgment, then they can seek to appeal against it to a higher jurisdiction. The tribunals and courts are independent of both HMRC and the customer.

Table 11: Overview of tax appeals¹

	2024-25	2023-24
New appeals made to the FTT	9,093	12,668
Appeals in progress	48,500	47,250
Of which have been stood over	41,500	41,750
Settled appeals (by formal hearing or by agreement before the hearing)	7,276	7,885
Tax protected	£6.4 bn	£3.3 bn
Decided appeals	2,082	1,590
Success rate for decided appeals	92.6%	87.4%

¹ Please note there is a difference between FTT appeals recorded by Ministry of Justice and the statistics reported here. These differences relate to the timing of when appeals are counted and whether or not HMRC is a party to the proceedings.

For appeals that were stood over 41,500 (2023 to 2024: 41,750), this was generally, where HMRC and the customer have agreed to put the appeal on hold while waiting for a decision in a related lead case that is being litigated.

Tax protected is an estimate of the tax at risk in litigation where HMRC has successfully defended its decisions. This will vary from year to year depending on the timing and nature of the litigation. If a specific appeal is challenging an aspect of law that would have implications for a large number of cases, then the tax protected figure will include an estimate of this wider tax at risk. Tax protected in any year is usually a reflection of a small number of cases that have a large amount of tax at stake.

HMRC's success rate recorded in table 12 below is calculated as the percentage of hearings where the decision is in our favour or substantive elements of our case succeeded.

Table 12: Data relating to decided appeals

	2024-25					2023-24				
	First-tier Tribunal	Upper Tribunal	High Court	Court of Appeal	Supreme Court	First-tier Tribunal	Upper Tribunal	High Court	Court of Appeal	Supreme Court
Total	1,997	58	4	19	4	1,500	57	12	16	5
Decision for HMRC	1,766	36	4	14	3	1,219	42	10	12	3
Decision where substantive elements of HMRC's case succeeded	99	5	-	-	-	99	4	-	-	-
Decision for customer	132	17	-	5	1	182	11	2	4	2
HMRC success rate	93%	71%	100%	74%	75%	88%	81%	83%	75%	60%

Governance for resolving tax disputes

Governing the resolution of disputes

The role of the Tax Assurance Commissioner (TAC) was first introduced in 2012, as part of a package of measures to strengthen HMRC's governance and assurance of tax disputes. The TAC has ultimate responsibility for civil dispute governance across HMRC, and for the Litigation and Settlement Strategy. They provide assurance and transparency to Parliament and the public that HMRC handles disputes in a fair and even-handed manner.

The TAC has no involvement in the management of the tax affairs of specific customers and no line management responsibility for caseworkers, maintaining a clear separation of responsibilities. The TAC chairs a panel of 3 HMRC Commissioners who make decisions on the largest and most sensitive cases, as well as a sample of smaller cases. A sample of cases is checked through our Tax Settlement Assurance Programme to assure how cases are managed and disputes resolved.

+ Read HMRC's Litigation and Settlement Strategy at www.gov.uk/government/publications/litigation-and-settlement-strategy-lss

In line with our code of governance for resolving tax disputes, the majority of case resolution decisions are taken by caseworkers with the oversight of their managers and, where relevant, advise from specialists. Where tax at risk on a dispute exceeds £5 million (non-Large Business customers) or £15 million (Large Business customers), referral to a dispute resolution board is required as set out in HMRC's code of governance for resolving tax disputes.

+ Read HMRC's 'Code of governance for resolving tax disputes' at www.gov.uk/government/publications/resolving-tax-disputes



Table 13: HMRC Commissioners: outcome of referrals

	2024-25	2023-24
Total number of meetings held (including via correspondence)	15	17
Total referrals to the Commissioners	46 ¹	48
Reason for referrals		
£100m plus tax or £500m adjustment	30	31
Decisions on sensitive case or risk	1	4
Decisions on sample cases	11	11
Penalty only referrals	4	2
Director referral	-	-
Director re-referral following remittance for further work	-	-
Outcome of referral²		
Taxpayer's filed position accepted	9	3
Taxpayer's revised proposal accepted	12	15
Taxpayer's position rejected	20	28
Remitted for further work	1	-

1 Referrals from CIP/AAB are not included within these figures.

2 Outcome of referral does not include penalty only referrals.

Table 14: Tax Dispute Resolution Board: outcome of referrals

		2024-25	2023-24
	Total referrals to TDRB	44	46
Referred to Commissioners	Taxpayer's filed position accepted	7	2
	Taxpayer's revised proposal accepted	10	13
	Taxpayer's position rejected	20	22
	Penalty only referral	3	3
	Total referred to Commissioners	36	40
Not referred	Remitted for further work	3	3
	Guidance provided	1	-
	Decision taken by TDRB under its remit	4	3
	Total not referred to Commissioners	8	6

Table 15: The Customer Compliance Group Dispute Resolution Board: outcome of the total referrals to the CCG DRB

	2024-25	2023-24
Total referrals to CCG DRB	113	92
Taxpayer's filed position accepted	13	13
Taxpayer's revised proposal accepted	29	24
Taxpayer's position rejected	50	38
Penalty only referral	14	13
Board remitted for further work before re-referral	7	4
Total	113	92
Of which: Sample cases referred to commissioners	11	12

Issues governance

We have governance processes in place to determine our approach to issues that affect multiple taxpayers to ensure they are treated in a consistent and even-handed manner. In general, policy and compliance teams refer avoidance issues to the Anti-Avoidance Board (AAB) and any other issues involving points of law or practice to the Contentious Issues Panel (CIP). Both these bodies include senior operational, legal and policy experts.

During 2024 to 2025:

- the CIP met on 5 occasions and considered 7 issues (6 occasions and 8 issues in 2023 to 2024) involving Personal tax and Business tax
- the AAB met on 7 occasions and considered 10 issues (7 occasions and 10 issues in 2023 to 2024)

No issues were referred to the commissioners from the CIP (no issues were referred to the commissioners in 2023 to 2024). No issues were referred to the commissioners from the AAB (no issues referred to the commissioners in 2023 to 2024).

General Anti-Abuse Rule (GAAR) and GAAR Advisory Panel

The purpose of the GAAR is to discourage taxpayers from entering into abusive arrangements, and to deter the promotion and enabling of such arrangements. The GAAR Advisory Panel is an independent body made up of experts with legal, accountancy and commercial backgrounds. It provides an opinion on whether tax arrangements are unreasonable.

We are legally required to consider the opinions issued by the advisory panel in reaching a final decision on whether to use the GAAR to address the tax advantage arising from the arrangements, or whether to apply penalties to enablers who facilitated the use of those arrangements. Courts must also take into account the panel's opinion if the tax arrangements are considered by them. The panel's opinions are published on GOV.UK to help taxpayers recognise abusive tax avoidance schemes. An opinion can relate to arrangements used by multiple taxpayers leading to the issue of opinion notices.

In 2024 to 2025 the panel provided an opinion in 3 cases (1 in financial year 2023 to 2024). In each of the cases considered, the opinion of the panel was that entering into and carrying out the arrangements was not a reasonable course of action.

Since 2018, we have issued over 5,700 GAAR opinion notices (applying GAAR Advisory Panel opinions) to taxpayers who have used these arrangements. Taxpayers have the right to appeal against any adjustments made under the GAAR and any penalties that may be due if their case is settled under the GAAR.

+ Read more about the GAAR at www.gov.uk/government/collections/tax-avoidance-general-anti-abuse-rule-gaar

Ensuring a standard approach to penalties for inaccuracy and failure to notify chargeability

We charge our customers inaccuracy penalties when we find that they have filed an inaccurate tax return, claim or document, and the inaccuracy occurred because of careless or deliberate behaviour on their part. We charge our customers failure to notify penalties when we find that they have not told HMRC about a new liability to tax or other duties, and do not have a reasonable excuse for not doing so.

We work hard to ensure consistency in our decisions to charge these penalties. We do this by maintaining effective controls to make sure decisions are considered and authorised at the appropriate level, taking into account both the size and complexity of the tax at stake and the corresponding penalty.

We control penalty decision-making through operational guidance, line manager authorisation checks and specific governance boards for the most complex cases. We use networks of senior tax professionals to support our caseworkers with advice and assurance. The government recently consulted on opinions to simplify and strengthen HMRC's behavioural inaccuracy and failure to notify penalties. The consultation closed for feedback in June 2025 and the government will respond in due course.



Tax Settlement Assurance Programme

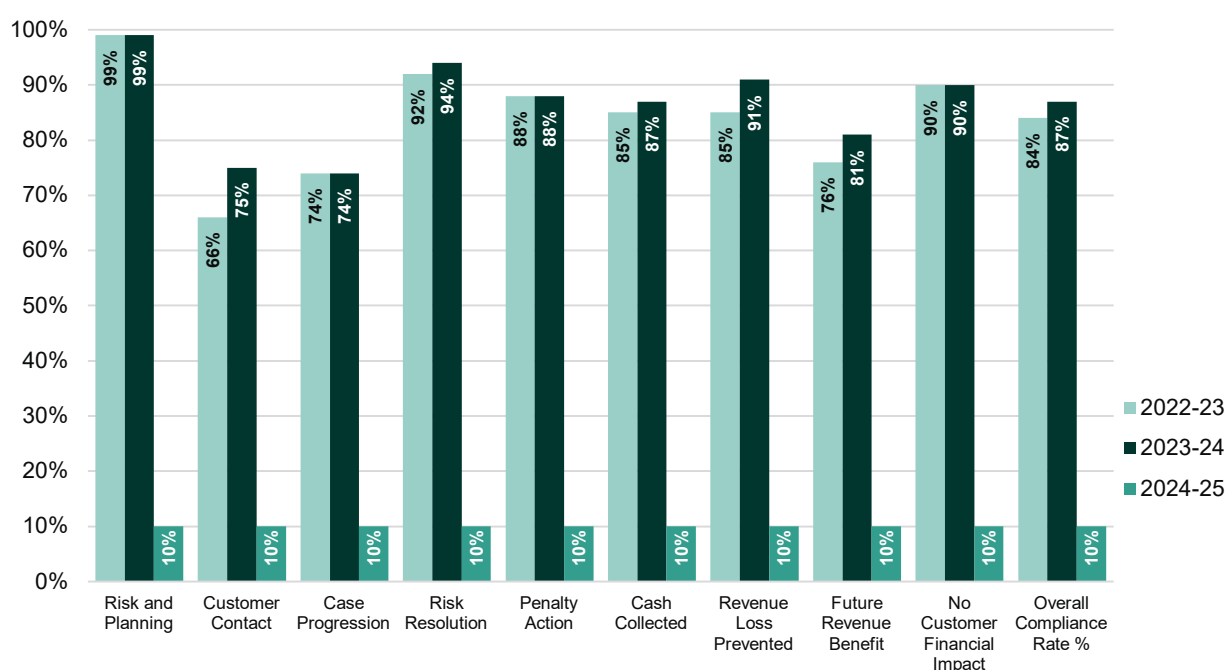
Since 2013, under the Tax Settlement Assurance Programme (TSAP), a specialist team independent of operational casework has reviewed a sample of settled civil compliance cases. The purpose is to assess whether we have met our internal case quality standards and appropriately governed decisions relating to disputes. This includes evaluating adherence to the Charter standards and core internal processes.

The Compliance Professional Standards (CPS) underpin training and capability development and are used to assess the quality of performance, including responsiveness to customers. Since 2021 to 2022, casework has been tested against the CPS in parallel with TSAP as part of our broader assurance programme, aimed at identifying areas for improvement in our management of tax administration and disputes.

In 2024 to 2025, the TSAP reviewed 400 settled cases. The cases provide robust evidence of the quality of compliance casework across each directorate and tax regime. Internal Audit has positively validated the Assurance Team's methodology and findings.

We test 9 standards in our case sample, and the chart below presents average results by theme for 2024 to 2025, compared with the previous 2 years. The themes reflect the lifecycle of a case, including the financial impact for both the customer and HMRC. A composite indicator is derived from the average across all themes. Compared to 2023 to 2024, the results show improvement in 3 themes, no change in 1, and a decline in 5. Overall, performance declined by 3 percentage points. While the 3-year comparison indicates variability in outcomes, the overall performance remains broadly consistent, averaging at 85%.

Figure 25: Three-year summary of theme scoring for 2022-23 to 2024-25



The following summary shows the results at individual case level. These do not equate to the overall percentage compliance rate shown above due to the averaging both within and across the 9 themes:

- Overall, 27% (107/400) of the cases reviewed met or exceeded all our required governance and quality standards
- 70% (282/400) fell short of HMRC's internal governance and quality standards, however with no financial impact on the customer
- 3% (11/400) fell short of our governance and quality standards with a customer financial impact. Of the 11 cases, 3 were identified where the customer had been charged too much tax. Corrective actions have been initiated, and we check to ensure appropriate actions are completed. This represents an improvement from 2023 to 2024

These results show HMRC has an overall stable level of performance, but we acknowledge the need to further improve the accuracy of our casework as well as the standards that have a direct impact on customer experience. For instance, although some progress has been made in reducing delays, this remains a significant issue. Addressing the cause of delay continues to be a priority, and further measures are being implemented through our established work programme, to reduce case resolution times. We're investing in training in our new recruits to make clear the importance of responsiveness in a compliance check, bringing insight from representative bodies about the impact it has on our customers. We have also introduced enhanced training across our compliance teams to address shortcomings in data protection practices, such as ensuring explicit consent is obtained before using email for customer communication. We will continue, through our work programme, to improve awareness of caseworker's responsibilities to help them get this right.

During 2024 to 2025 we designed a framework to further strengthen our approach to assuring our work, placing greater focus on the essential elements of casework that have the greatest impact on customers; protecting customer data, making customers aware of their rights and safeguards available to them, and being financially accurate in all our calculations of tax liability. In 2025 to 2026 we will be running this framework alongside the existing methodology, with the intention of publishing further case-level data in a future annual report.

For the small number of the largest risks, which require governance at a Dispute Resolution Board (the remits of the Dispute Resolution Boards are summarised in the relevant section of the TAC report), the TSAP monitors whether the appropriate governance procedures have been followed. Where cases do not require a referral to a formal case governance board, the TSAP confirms whether the settlement was authorised at the appropriate level. For 2024 to 2025, our checks have revealed that 100% (6/6 cases) were referred to the relevant board at the appropriate time.

Table 16: Three-year annual comparison of governance and authorisation

Year	2022-23	2023-24	2024-25
Settlement authorised at appropriate level	91% (116 out of 128 cases)	94% (88 out of 94 cases)	86% (90 out of 105 cases)
Dispute Resolution Board governance followed, where required	80% (4 out of 5 cases)	100% (8 out of 8 cases)	100% (6 out of 6 cases)

Remuneration and staff report

This report provides details on the size and shape of our workforce, the cost of our staff and leadership team and how we manage their health, safety and wellbeing.

HMRC is proud to reflect the nation we serve. As the UK's third largest government department we employ almost 66,000 full-time equivalent (FTE) employees from all backgrounds, working in towns and cities across the UK. In our workplaces you can expect to find customer service advisers and compliance caseworkers, but also experts in data, digital technology, policy, finance, and the law, along with other highly skilled professionals who make up our corporate service teams.

Remuneration report for Senior Civil Servants

The government is committed to building a Senior Civil Service (SCS) that reflects the nation it serves, can recruit and retain specialist skills and continue growing its capabilities. This report contains information about HMRC's senior employees and covers our policies on salaries, bonuses and benefits in kind, as well as performance assessment and contract termination.

Remuneration policy

The Senior Civil Service is made up of senior leaders employed across government, with a common framework of terms and conditions. SCS pay and conditions are not delegated to individual departments. Our SCS performance management system is governed by the Cabinet Office and recommendations on SCS pay are provided by the Independent Review Body on Senior Salaries in an annual report to the Prime Minister. The government responds to its recommendations, and the Cabinet Office sets out the approach departments must follow in SCS pay guidance. In line with Cabinet Office guidance, SCS pay and non-consolidated awards at HMRC are then decided by the Executive Committee.

SCS employee numbers and approved posts

As of the 31 March 2025, we have 558 SCS employees made up of 536 HMRC and 22 VOA SCS employees. The total number of SCS approved posts was 570, made up of 548 HMRC and 22 VOA SCS posts. This figure includes both filled, vacant and job shared posts.

Table 17: HMRC Senior Civil Service (SCS) employee numbers comparison

	Number at 31 March 2025	Number at 31 March 2024	Percentage change
Permanent Secretary	2	2	0%
SCS3	10	9	11%
SCS2	69	70	-1%
SCS1	447	429	4%
On loan/ secondment	8	13	-38%
Total	536	523	2%

SCS structure and recruitment

There are 3 levels of SCS below the posts of Permanent Secretary: Director General, Director and Deputy Director. These are underpinned by a job evaluation which assesses the demands of each job relative to others. A total of 51 HMRC and VOA SCS posts were advertised last year. Qualified individuals from both within and outside the Civil Service were appointed through level moves and promotions.

SCS performance

The performance of deputy directors and directors is moderated by directors general and the Executive Committee signs-off the overall departmental year-end performance group distribution. Performance for directors general is moderated by the Permanent Secretaries with advice from an independent observer. Performance and pay arrangements for Permanent Secretaries are managed by Cabinet Office.

Senior Civil Service base pay awards

The SCS Pay 2024 Practitioner Guidance sets out the Senior Civil Service (SCS) pay framework and award for 2024 to 2025. SCS pay is set centrally and is determined on an annual cycle through the Senior Salaries Review Body, an advisory independent pay review body.

This meant that from 1 April 2024, we implemented the following elements, as set out in the Cabinet Office guidance:

- An across-the-board base pay increase for all SCS of 5%
- Increase to the minimum salary for all SCS pay ranges: £76,000 (2023 to 2024: £75,000) (SCS1); £98,000 (2023 to 2024: £97,000) (SCS2); and £128,000 (2023 to 2024: £127,000) (SCS3)
- In-year non-consolidated performance bonuses for exceptional performance during 2024 to 2025 to colleagues in accordance with the criteria set out in the Cabinet Office guidance

Senior Civil Service non-consolidated performance awards

Exceptional performance against objectives is rewarded through non-consolidated end-of-year and in-year performance awards. In line with Cabinet Office guidance, non-consolidated end of year and in-year performance awards are funded from an agreed allocation of 3.3% of the SCS basic paybill and subject to a pay control limit of £17,500.

178 awards were paid to 'Exceeding/High-Performing' colleagues on 1 April 2024, for the 2023 to 2024 performance year:

- End of year non-consolidated performance awards of £8,100/£6,100 (SCS1 Exceeding/High Performing), £10,100/£8,100 (SCS2 Exceeding/High Performing), and £13,100/£11,000 (SCS3 Exceeding/High Performing)
- In-year awards ranging from £450 to £3,000 have been paid to 319 SCS members based on performance from April 2024 to the end of March 2025
- Awards that are above and beyond the control limit of £17,500 are agreed in non-standard contracts, in line with the HM Treasury senior pay approval process. Non-consolidated performance award decisions are monitored to guard against bias or discrimination

Policy on notice periods and termination payments for the Senior Civil Service

We follow standard policy for SCS notice periods and termination payments in the Civil Service Management Code.

Service contracts¹

There is a legal requirement that all Civil Service appointments must be made on merit, and on the basis of fair and open competition. Recruitment principles published by the Civil Service Commission explain the limited circumstances when other appointments can be made. Executive members hold open-ended appointments, unless otherwise stated in the governance statement. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No compensation payments were made to Executive Committee members during 2024 to 2025.

¹ This section has been subject to external audit.

+ **Read Civil Service Commission recruitment principles at**
www.civilservicecommission.independent.gov.uk/recruitment/recruitment-principles/



Executive Committee (ExCom) and non-executive members remuneration and pension benefits

The following table provides details of salaries and pension entitlements of the department's most senior officials. Details of job roles and terms of appointment can be found on pages 77 and 86.

Table 18: Senior officials' single total figure of remuneration and pension benefits¹

Senior officials	Salary (full year equivalent) (£000)		Bonus payments (£000)		Benefits in kind (to the nearest £100)		Pension benefits (to the nearest £000)		Total (£000)	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24 ²
Jim Harra KCB	205-210	195-200	-	5-10	100	300	80	55	285-290	260-265
Angela MacDonald	175-180	165-170	-	-	-	-	67	64	240-245	230-235
Alan Evans	155-160	150-155	10-15	5-10	100	-	123	118	295-300	275-280
Andrew Pemberton	145-150	135-140	5-10	5-10	-	-	57	54	210-215	200-205
Carol Bristow	145-150	135-140	-	0-5	100	300	100	137	245-250	275-280
Daljit Rehal	215-220	210-215	60-65	50-55	-	-	80	80	360-365	345-350
Esther Wallington ³	10-15 (125-130)	110-115	-	-	-	100	-4	45	5-10	155-160
Helen Pickles	30-35 (150-155)	-	-	-	-	-	45	-	75-80	-
James Mitton	120-125 (140-145)	-	-	-	-	-	5	-	125-130	-
Jonathan Athow	145-150	135-140	15-20	5-10	100	200	-	-	160-165	145-150
Jonathan Russell	145-150	135-140	10-15	0-5	-	-	57	19	215-220	160-165
Justin Holliday	185-190	175-180	0-5	-	100	200	156	121	345-350	300-305
Lucy Pink	110-115	105-110	5-10	5-10	100	100	64	37	185-190	150-155
Myrtle Lloyd	145-150	135-140	10-15	-	-	-	108	56	265-270	195-200
Penny Ciniewicz	155-160	150-155	0-5	0-5	100	300	-	-	160-165	150-155
Suzanne Newton	145-150	135-140	-	10-15	200	300	93	213	235-240	360-365

¹ This section has been subject to external audit.

² Figures have been restated where appropriate to include 2023 to 2024 pension figures which were unavailable when previous accounts were published.

³ The full-time equivalent salary is £155,000-£160,000 (2023 to 2024: £145,000-£150,000). Worked part-time hours of 0.8 FTE until she left the department in April 2024.

Pension figures show pension earned in PCSPS or CSOPS (alpha) as appropriate. Where the official has benefits in both PCSPS and alpha the figure is the combined value of benefits in the 2 schemes – but part of the pension may be payable from different ages. The accrued pension is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Scheme	Accrued annual pension at pension age and related lump sum (£000) as at 31 March 2025	Real increase in pension and related lump sum at pension age (£000)	Cash Equivalent Transfer Value (CETV) (to the nearest £000)			Employer contribution to partnership pension account (to the nearest £100)
			as at 31 March 2025	as at 31 March 2024	Real increase	
alpha	5-10	2.5-5	140	55	65	- ⁴
alpha	55-60	2.5-5	927	803	46	-
alpha	95-100	5-7.5	2,002	1,802	108	-
alpha	10-15	2.5-5	183	124	39	-
alpha	75-80	5-7.5	1,653	1,496	90	-
alpha	20-25	2.5-5	396	291	62	-
alpha	45-50	-	679	640	-3	-
alpha	55-60	0-2.5	1,011	950	39	-
alpha	45-50	0-2.5	688	656	1	-
partnership pension scheme	-	-	-	-	-	21,600 ⁵
alpha	0-5	2.5-5	78	19	46	- ⁶
alpha	100-105	7.5-10	2,072	1,850	139	-
alpha	35-40 plus a lump sum of 85-90	2.5-5 plus a lump sum of 2.5-5	686	612	43	-
alpha	55-60	5-7.5	1,117	983	87	-
- ⁷	-	-	-	-	-	-
alpha	65-70	5-7.5	1,234	1,112	72	-

4 An employer contribution of £7,300 was made into the partnership pension account for the period 01/04/2023 to 30/06/2023. Jim joined the alpha scheme from 01/07/2023.

5 An employer contribution of £20,600 was made into the partnership pension account for 2023 to 2024.

6 An employer contribution of £14,400 was made into the partnership pension account for the period 01/04/2023 to 31/10/2023. Joined the alpha scheme from 01/11/2023.

7 Opted out of pension scheme.

Explanatory notes for tables 18 and 19

Salary

Salary covers both pensionable and non-pensionable amounts and includes gross salary, overtime, recruitment and retention allowances, reserved rights to other allowances and any other allowance that is subject to UK taxation.

Bonus payments

Bonus payments are paid while serving on ExCom for exceptional work in the performance year. Year-end performance awards are based on performance achieved in post(s) held in the previous year and are made as part of the performance and pay award process. Bonus payments are considered non-consolidated pay awards.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by HMRC and treated as taxable, such as hospitality provided at external development events.

Pension benefits

Pension benefits are calculated by MyCSP on behalf of HMRC in accordance with their interpretation of the FREM. The values supplied by MyCSP for the remuneration statement are different and higher than the amounts supplied to individual employees for them to calculate their remuneration for tax purposes.

Pension Benefits accrued are calculated as follows:

Real increase in pension x 20

add Real increase in any lump sum

less Contributions made by the individual

= The value of pension benefits accrued during the period

The real increases exclude increases due to inflation or any increases or decreases due to the transfer of pension rights. The value of pension benefits can vary from year to year, due to things like the date that an individual joined or left, or an individual receiving a higher pay increase in one year to another.

Accrued pension benefits included in table 18 for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022.

The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

Cash equivalent transfer values

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV payment is made by a pension scheme (or arrangement) when a member leaves a scheme and chooses to transfer the pension benefit they have accrued in that scheme to secure pension benefits in another pension scheme (or arrangement).

The value shown relates to the benefits the individual has accrued because of their membership of the pension scheme, not just their service in a senior capacity. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Non-executive directors' single total figure of remuneration

The fees of the external appointees, which include any other allowance that is subject to UK taxation, are detailed below. Details of job roles and terms of appointment can be found on pages 76 and 85 to 86.

Table 19: Non-executive directors' single total figure of remuneration¹

	Fees (full year equivalent) (£000)		Benefits in kind (to the nearest £100)		Total (£000)	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Dame Jayne-Anne Gadhia	25-30	25-30	–	–	25-30	25-30
David Cooper²	10-15 (15-20)	20-25	–	–	10-15	20-25
Patricia Gallan	20-25	20-25	–	–	20-25	20-25
Michael Hearty	25-30	25-30	–	–	25-30	25-30
Susie Warran-Smith²	10-15 (15-20)	10-15 (20-25)	–	–	10-15	10-15
Paul Morton	15-20	15-20	–	–	15-20	15-20
Elizabeth Fullerton-Rome³	5-10 (15-20)	15-20	–	–	5-10	15-20
Thomas Taylor³	5-10 (15-20)	15-20	–	–	5-10	15-20
Jennifer Tippin	20-25	20-25	–	–	20-25	20-25
Mike Bracken⁴	10-15 (20-25)	–	–	–	10-15	–
Bill Dodwell⁴	10-15 (20-25)	–	–	–	10-15	–
Andre Katz⁵	5-10 (15-20)	–	–	–	5-10	–
Charlotte Moar⁶	5-10 (15-20)	–	–	–	5-10	–

¹ This section has been subject to external audit.

² Left the department September 2024.

³ Left the department August 2024.

⁴ Joined the department October 2024.

⁵ Joined the department November 2024.

⁶ Joined the department September 2024.

Fair pay¹

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in HMRC and VOA in the financial year 2024 to 2025 was £280,000 - £285,000 (2023 to 2024, £265,000 - £270,000) (table 18 on page 136). This was 7.77 times (2023 to 2024, 7.31) the median remuneration of the workforce, which was £36,345 (2023 to 2024, £36,612).

In 2023 to 2024 and 2024 to 2025 no employees received remuneration in excess of the highest paid director. Remuneration ranged from £25,730 to £285,000 (2023 to 2024 £24,247 to £270,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Table 20a: Pay ratio

	2024-25	2023-24
25 th percentile pay ratio	9.58	10.32
Median pay ratio	7.77	7.31
75 th percentile pay ratio	6.17	5.90

Table 20b: Total pay and benefits and salary component for the employees at the 25th percentile, median and 75th percentile

	2024-25	2023-24
25th percentile pay – Total pay and benefits	£29,475	£25,910
25 th percentile pay – Salary components	£29,475	£24,330
Median pay – Total pay and benefits	£36,345	£36,612
Median pay – Salary component	£36,320	£35,092
75th percentile pay – Total pay and benefits	£45,759	£45,349
75 th percentile pay – Salary component	£45,759	£42,898

In 2024 to 2025 the average value of the base pay award was 5% in accordance with the Civil Service Pay guidance 2024 for delegated grades, and the Senior Civil Service pay guidance 2024. In 2024 to 2025 the highest paid directors' total remuneration increased by 5.68%. These factors have resulted in the ratio between the 75th percentile and the highest paid director increasing slightly during 2024 to 2025.

HMRC and VOA operate primarily with a directly employed, UK-based workforce. As of 31 March 2025, the majority of staff were employed under standard Civil Service contracts of service. There has been no significant increase in the proportion of staff employed to work wholly or mainly outside the UK, nor a material shift in the proportion of the workforce engaged under alternative employment models (e.g. contingent labour, secondees, or contractors).

¹ This section has been subject to external audit.

Where contingent labour is used, it is typically to meet short-term project needs, specialist skills requirements, or cover for absences. The use of such arrangements remained broadly consistent with previous years and did not materially affect workforce composition or remuneration quartiles.

Median Pay Ratio and Consistency with Pay and Reward Policies

The ratio between the highest-paid director and the median employee remuneration increased to 7.77 in 2024 to 2025 from 7.31 in the prior year.

This increase reflects a number of structural and pay-related developments:

- **targeted promotions:** Over 3,600 promotions across a broad range of grades (particularly AO, EO, and HEO) contributed significantly to overall pay growth and impacted the distribution of salaries across quartiles. Promotions into higher grades carry salary uplifts that are materially larger than the annual pay award and therefore affect the pay ratio
- **base pay progression:** In line with the 2024 Civil Service Pay Guidance, most employees received average base pay increases of approximately 5%. While this maintained the competitiveness of remuneration and supported retention, it had a modest impact on the median remuneration compared with more substantial increases at the upper end of the pay scale
- **senior pay uplifts:** The total remuneration of the highest-paid director increased by 5.68%, reflecting contractual entitlements and pay framework allowances for performance and retention. This contributed to the upward shift in the Fair Pay Ratio

The observed pay ratio is not indicative of pay disparity but rather reflects a levelling of median pay movement relative to higher-band promotions and director-level adjustments. The pay system aligns with the Civil Pay Guidance to ensure public value and supports fairness, transparency, and progression opportunities, particularly at operational and mid-management levels.

Table 20c: Annual percentage change in remuneration of directors and employees from prior year¹

2023-24 to 2024-25	Salary and allowances	Performance pay and bonus payable	Total remuneration
Highest paid director	2.4%	19%	5.6%
Employees	1.4%	8.2%	1.4%

¹ This section has been subject to external audit.

The table above shows the percentage change in both the highest paid director and employees salary and allowances, performance pay and bonuses payable and non-cash benefits between 2023 to 2024 and 2024 to 2025.

Staff numbers

As an operational department, we need the right number of people in the right places to serve our customers and deliver our objectives.

Our departmental group, including the Valuation Office Agency (VOA), had 65,987 full-time equivalent (FTE) employees at the end of financial year 2024 to 2025. This included 62,224 in HMRC and 3,763 in VOA. These figures exclude contingent labour, which was 1,924 for HMRC and 93 for VOA as of 31 March 2025.

Recruitment

This year we recruited 6,408 full-time equivalent roles to ensure we have the skills we need in our key strategic locations by replacing people who leave and facilitating organisational growth. This included 5,990 in HMRC, and 418 in VOA. We recruited 798 FTE from other government departments. This included 706 in HMRC and 92 in VOA.

Leavers and exits

In 2024 to 2025, 5,385 full-time equivalent employees either left HMRC's departmental group, transferred to other government departments, or retired. This included 4,967 (8.1% of staff) in HMRC, and 300 (8.0% of staff) in VOA.

Average number of full-time equivalent persons employed

The table below gives the average number of FTE for 2024 to 2025.

Table 21: Average number of full-time equivalent persons employed¹

	Permanently employed staff – Operational	Permanently employed staff – Capital ²	Others – Operational	Others – Capital ²	2024-25 Total	2023-24 Total
Core department	59,950	790	398	-	61,138	62,174
Valuation Office Agency	3,548	-	182	-	3,730	3,679
Departmental group total	63,498	790	580	-	64,868	65,853

¹ This section has been subject to external audit.

² Capital relates to staff building capital assets.

Staff costs¹

Our staff costs figures only include officials. The salary of the minister who has responsibility for HM Revenue and Customs is paid out of central funds and can be found in the Resource Accounts of HM Treasury.

Table 22: The costs of people employed during the year and reconciliation from total net costs to 'Staff and Related' costs in the SoCNE (£m)

	Permanently employed staff	Others	2024-25 £m	2023-24 £m
Wages and salaries	2,500.1	20.7	2,520.8	2,611.2
Social security costs ²	282.4	1.3	283.7	282.4
Other pension costs	717.3	4.4	721.7	654.6
Sub Total	3,499.8	26.4	3,526.2	3,548.2
Less recoveries in respect of outward secondments	(3.5)	-	(3.5)	(4.6)
Total net costs	3,496.3	26.4	3,522.7	3,543.6
Recoveries in respect of outward secondments			3.5	4.6
Less net costs charged to capital budgets			(62.5)	(69.5)
Travel, subsistence and hospitality			44.7	40.4
Recruitment and training			26.9	28.7
Early severance schemes			(0.1)	3.8
Staff and related costs in Consolidated Statement of Comprehensive Net Expenditure			3,535.2	3,551.6

¹ This section has been subject to external audit.

² Social security costs include the Apprenticeship Levy which is £13 million for 2024 to 2025 (2023 to 2024: £13 million).

Civil Service Pensions

Alongside their salary, a Civil Service pension is one of the most important benefits available to HMRC employees. It provides financial security and options when an employee retires, as well as benefits for their family and loved ones.

HMRC group

Pension benefits are provided through the Civil Service pension arrangements. The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as "alpha", are unfunded multi-employer defined benefit schemes. Our share of underlying assets and liabilities is not identifiable. The scheme actuary valued the PCSPS as at 31 March 2020. More details are in the resource accounts of the Cabinet Office.

+ Read more on Civil Service pension arrangements at www.civilservicepensionscheme.org.uk

For 2024 to 2025, employers' contributions of £716.2 million were payable to the PCSPS (2023 to 2024: £649.2 million). Following the transition of all active members to alpha on 1 April 2022, it has been agreed that the previous salary-based structure was no longer appropriate. A flat rate employer contribution of 28.97% has therefore been introduced.

Accrued pension benefits for any individual affected by the Public Service Pension Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pension Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022.

The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

The scheme actuary usually reviews the rate of employer contributions every 4 years, following a full scheme valuation (excluding 2020 due to the public service pension schemes consultation). Contribution rates are set to meet the cost of benefits accruing during 2024 to 2025, which will be paid when the member retires - it does not represent the cost of benefits paid during this period to existing pensioners. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation.

Partnership Pensions

Employees can open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer contributions of £5.1 million (£5 million in 2023 to 2024) were paid to one or more of the 3 appointed stakeholder pension providers. The size of employer contributions depends on the age of the employee/member and ranged from 8% to 14.75% of pensionable earnings.

Employers also match the rate of employee contributions up to a maximum of 3% of their pensionable earnings. In addition, employer contributions of £0.2 million (2023 to 2024: £0.2 million), 0.5% of pensionable pay, were payable to the PCSPS to cover the future cost of providing lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension provider at the reporting date were nil. Contributions prepaid at that date were nil.

In 2024 to 2025, 44 individuals (2023 to 2024: 47 individuals) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £0.3 million (2023 to 2024: £0.3 million).

Valuation Office Agency

A number of Valuation Office Agency's (VOA) employees are members of the London Pensions Fund Authority (LPFA) which is a Local Government Pension Scheme. Contributions into this scheme for 2024 to 2025 were £0.3 million (2023 to 2024: £0.3 million).

+ Read full information about the VOA employee contributions in the VOA annual report and accounts at www.gov.uk/government/collections/valuation-office-agency-annual-report-and-accounts

+ Read details of the salary and pension benefits for HMRC's Executive Committee starting on page 133.

Exit packages¹

We pay redundancy and other departure costs in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme under the Superannuation Act 1972. Exit costs are accounted for in full in the year in which the obligation becomes binding on HMRC.

Where the department has agreed early retirements, those costs in excess of obligations usually met by the Civil Service Pension Scheme, are met by the department. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The cost of early retirements reflects the excess cost of any payment due to the individual on retirement and, in certain circumstances, the cost associated with the increase in future liability to pay pension.

+ Read full details about the Valuation Office Agency (VOA) staff exit packages in the VOA annual report and accounts at www.gov.uk/government/collections/valuation-office-agency-annual-report-and-accounts

Table 23: Exit packages 2024-25²

Exit package cost band	Number of compulsory redundancies 2024-25	Number of compulsory redundancies 2023-24	Number of other departures agreed 2024-25	Number of other departures agreed 2023-24	Total number of exit packages by cost band 2024-25	Total number of exit packages by cost band 2023-24
<£10,000	-	-	3	8	3	8
£10,000 - £25,000	-	-	3	5	3	5
£25,000 - £50,000	-	-	3	8	3	8
£50,000 - £100,000	-	-	-	5	-	5
£100,000+	-	-	1	1	1	1
Total number of exit packages by type	-	-	10	27	10	27
Of which:						
Core department and agency	-	-	10	27	10	27
Total resource cost (£000s)	-	-	287	822	287	822

¹ These disclosures have been subject to external audit.

² The prior year figures have been updated to account for instances where individuals' final costs changed from the original estimate.

People off-payroll

HMRC has reviewed all relevant off-payroll engagements during the financial year 2024 to 2025. Where engagements have been within the scope of the off-payroll (IR35) legislation, both worker and the paying agency have been advised of this determination meaning appropriate deductions are made at source from payments made in respect of the engagement. We confirm that no tax liabilities have been incurred, or penalties imposed due to any failure to comply with IR35 legislation.

The tables below provide details of the off-payroll engagements for 2024 to 2025, including those from the Valuation Office Agency (VOA).

Table 24: Temporary off-payroll worker engagements as of 31 March 2025, earning £245 a day or greater¹

	HMRC	VOA
Number of existing engagements as of 31 March 2025	302	5
Of which:		
Number that have existed for less than 1 year at time of reporting	87	3
Number that have existed for between 1 and 2 years at time of reporting	94	2
Number that have existed for between 2 and 3 years at time of reporting	36	-
Number that have existed for between 3 and 4 years at time of reporting	24	-
Number that have existed for 4 or more years at time of reporting	61	-

Table 25: All temporary off-payroll workers engaged at any point during the year ended 31 March 2025, earning £245 per day or greater¹

	HMRC	VOA
Number of off-payroll workers engaged during the year ended 31 March 2025	496	8
Of which:		
Not subject to off-payroll legislation	472	8
Subject to off-payroll legislation and determined as in-scope of IR35	24	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	-	-
Number of engagements reassessed for compliance or assurance purposes during the year	488	-
Of which: Number of engagements that saw a change to IR35 status following review	-	-

¹ Including engagements through umbrella companies.

Table 26: Board members and/or senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025

	HMRC	VOA
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-	-
Total number of such individuals, including both on payroll and off-payroll engagements	93	7

Consultancy and temporary employees

We engage agency workers to support demand peaks of operational work and contingent labour to resolve other temporary specialist capacity gaps (together these are temporary employees). We only use professional service providers to help with specialist work, including consultancy. We limit this to when we do not have the necessary skills internally, or where an independent external expert opinion on a complex issue is required. For 2024 to 2025, external consultancy has supported a requirement to analyse and benchmark contracts to establish viable opportunities to deliver commercial efficiencies and savings.

HMRC robustly controls expenditure on consultancy via Government Commercial Spend Controls as mandated by Cabinet Office Governance Procedures, which has decreased from £7.5 million (excluding VOA) in financial year 2023 to 2024 to £0.2 million (excluding VOA) in financial year 2024 to 2025. The department continues to follow Cabinet Office guidelines to reduce the use of consultancy across central government.

Table 27: Consultancy and contingent labour expenditure in accordance with HM Treasury definitions (£m)¹

	Consultancy 2024-25	Contingent labour 2024-25	Consultancy 2023-24	Contingent labour 2023-24
HMRC	0.2	133.1	7.5	152.3
VOA	0.0	2.5	0.0 ²	1.3

¹ HMRC report contingent labour as part of contracted out services.
² Following a review of VOA spend reported as Consultancy it was identified that the majority of the spend for 2024 to 2025 and 2023 to 2024 should be classified as contracted out services, due to the underlying nature of the services not being mostly advisory.



Trade Union Facility Time Allocation

Trade Union Facility Time is time off for employees who are Trade Union (TU) representatives to carry out their TU roles. TU roles may be duties or activities. Representatives are entitled to paid time off to carry out TU duties. They are not entitled to paid time off for TU activities – but an employer can choose to pay for time off for those activities.

HMRC recognises the Public and Commercial Services Union (PCS) and the Association of Revenue and Customs (ARC, a specialist section of the FDA specifically for HMRC) for collective bargaining and staff representation. VOA recognises Prospect and the Public and Commercial Services Union (PCS).

Table 28: Total number of employees who were relevant union officials during 2024-25

	Core department and agencies total
Relevant union officials	
Number of Trade Union representatives employed	776
Percentage of time spent on facility time	
Working hours each representative spent on facility time	
0% of working hours	177
1-50% of working hours	594
51-99% of working hours ¹	4
100% of working hours ¹	1
Percentage of paybill spent on facility time	
Paybill refers to the total number of employees, not union representatives only	
Total cost of facility time (£)	£2,290,590
Total paybill (£)	£3,600,566,403
Facility time as a % of paybill	0.06%

¹ In exceptional circumstances HMRC will allow more than 50% of working hours for facility time.

We have nothing to disclose or report in respect of the proportion of facility time spent on paid trade union activities.

+ Further disclosure required for the Trade Union (Facility Time Publication Requirements) Regulations 2017 will be submitted by 31 July 2025 at www.gov.uk/government/statistical-data-sets/public-sector-trade-union-facility-time-data

How we manage health, safety and wellbeing

Recognising that colleague wellbeing also depends on having effective health and safety arrangements in place, we continued providing access to practical learning, specialist support and advice. This year, we used insight from the central database of incident reports and learning completion to keep managers, colleagues and trade union safety representatives informed, using real-time health and safety performance information. We introduced and embedded a Regional Co-ordinator role to improve the management of DSE Assessments in our key locations.

We launched an initiative to protect our frontline colleagues from abusive interactions. This includes partnering with other government departments to combat hate crimes and personal security and safety issues. This approach provides vital support for handling abusive and vulnerable customers, and we streamlined guidance, reporting processes and enhanced IT systems. By refining the customer journey, we aim to reduce conflict and ensure a smoother customer experience, boosting staff morale and fostering a safer work environment.

Our modern estate continues to expand to provide class leading workplaces. Annually updated Occupied Building Risk Assessments are key to ensuring buildings remain safe and Fire Risk Assessments are in place to manage fire safety risks. An assurance programme provides management-level oversight of all safety activities across all of our buildings. 1 May 2025 saw the introduction of improved third-party contracts providing both 'hard' facilities management services (such as building maintenance) and 'soft' services (such as cleaning). We have carried out extensive preparation to ensure a smooth transition to the new providers.

We encourage colleagues to report all accidents and instances of work-related ill health. As an employer, we report incidents in specific categories to the Health and Safety Executive (HSE), under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

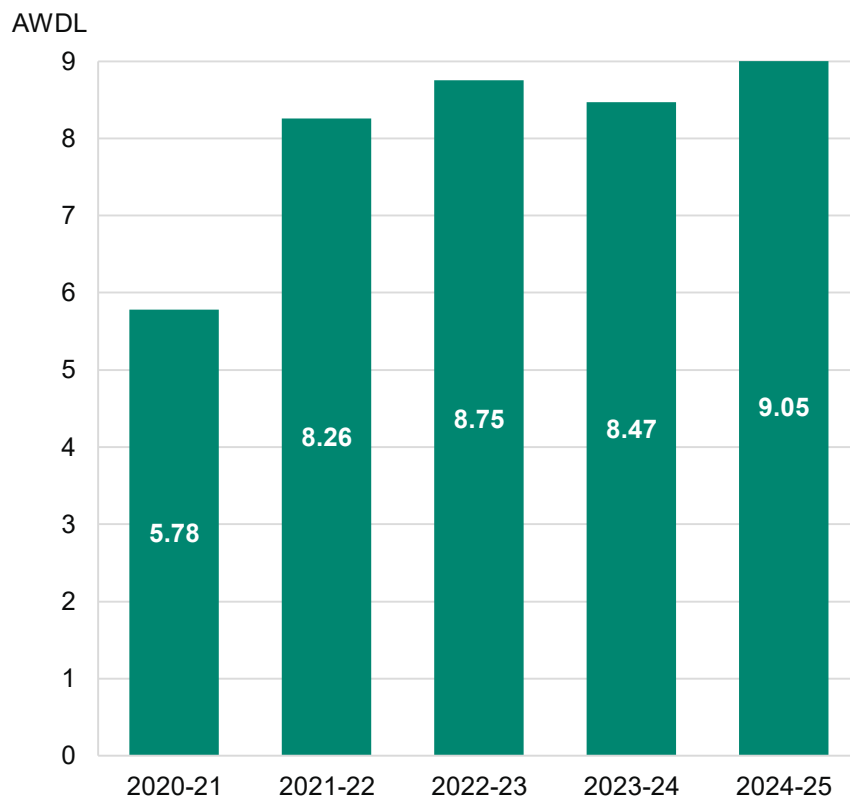
We monitor incident reports and in 2024 to 2025 we reported 15 incidents to HSE (compared to 31 in 2023 to 2024). The number of non-RIDDOR incidents reported increased to 1,732 (compared to 1,594 last year).

Sickness absence data

Sickness absence levels are measured using Average Working Days Lost (AWDL), which is the total number of days lost to sickness absence over a 12-month period divided by our current full-time equivalent (FTE) employees.

In line with the general working age population, we have a prevalence of mental health and stress as our top 2 absence reasons for more than a third of our absences. Our Wellbeing Strategy for 2025 to 2030 will seek to support colleagues in managing their attendance to maximise delivery to our customers.

Figure 26: Sick absence data



Workforce Diversity Characteristics

We publish workforce diversity data and equality information in our report on compliance with the public sector equality duties at www.gov.uk/government/collections/equality-and-diversity

Table 29: Workforce diversity characteristics

Characteristic	Grade	2020-21	2021-22	2022-23	2023-24	2024-25
Ethnic Minority ¹	All Staff	15%	17%	18%	19%	21%
	SCS	11%	11%	10%	10%	11%
Disability	All Staff	14%	13%	14%	14%	14%
	SCS	6%	6%	7%	8%	7%
Woman	All Staff	53%	52%	52%	52%	52%
	SCS	45%	47%	47%	46%	44%
Sexual Orientation ²	All Staff	6%	6%	7%	7%	5%
	SCS	7%	7%	8%	7%	6%

¹ The term ethnic minority includes colleagues who declared their ethnicity as Black, Asian, Chinese or mixed ethnic background. White ethnic minority backgrounds are not included in this data category.

² This chart shows the percentage of people who declare their sexual orientation as gay man, gay woman/lesbian, bisexual or other.

+ Read HMRC's equality objectives at www.gov.uk/government/organisations/hm-revenue-customs/about/equality-and-diversity and gender pay gap report at [HM Revenue and Customs \(HMRC\) gender pay gap report for 2024-25 reporting year](#)

Our approach to whistleblowing

We aim to provide our colleagues with an environment where they feel able to speak up if they believe that something is not right. Over the last year HMRC has:

- implemented a recommendation from the 2023 “investigation into whistleblowing in the Civil Service” National Audit Office report, to gather insight on colleague experiences of the whistleblowing process by developing and promoting an anonymous survey for whistleblowers
- appeared before the Public Accounts Committee on whistleblowing in the Civil Service, to share its approach to best practice
- continued promoting the work of our nominated officers, who offer advice and support to our colleagues on whistleblowing concerns

Whistleblowing case numbers increased in 2024 to 2025, continuing a trend that has seen a steady rise since 2022, following a sharp fall during the pandemic.

Table 30: Whistleblowing cases

Financial year	2024-25	2023-24
Total cases	98	65
Number categorised as whistleblowing	22 ¹	21 ²

1 As reported cases are still being processed this figure may increase.

2 The number has changed from 20 reported in the 2023 to 2024 Annual Report and Accounts due to cases still being processed and therefore retrospectively updated.



John-Paul Marks

Accounting Officer

15 July 2025

Parliamentary Accountability

Consolidated Statement of Outturn Against Parliamentary Supply (SOPS)

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual requires us to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE), to tie the SOPS to the financial statements (note 2); correlation between budgetary outturn and that presented in the CSoCNE (note 2.1); a reconciliation of outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 57, in the financial review section of the Annual Report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Analysis section of the Annual Report, provides a summarised discussion of outturn against Estimate and functions as an introduction to the SOPS disclosures.

Table 31: Summary of Resource and Capital outturn

								2024-25 £000	2023-24 £000	
Type of spend	SOPS note	Estimate			Outturn			Outturn vs. Estimate, saving		
		Voted	Non-voted	Total	Voted	Non-voted	Total	Voted	Total	Total Outturn
Departmental Expenditure Limit										
– Resource	1.1	5,819,095	233,000	6,052,095	5,559,356	274,510	5,833,866	259,739	218,229	6,501,736
– Capital	1.2	742,709	–	742,709	728,071	–	728,071	14,638	14,638	725,117
Total		6,561,804	233,000	6,794,804	6,287,427	274,510	6,561,937	274,377	232,867	7,226,853
Annually Managed Expenditure										
– Resource	1.1	15,939,448	15,782,860	31,722,308	14,977,867	12,797,392	27,775,259	961,581	3,947,049	33,274,461
– Capital	1.2	261	–	261	2	–	2	259	259	2
Total		15,939,709	15,782,860	31,722,569	14,977,869	12,797,392	27,775,261	961,840	3,947,308	33,274,463
Total		22,501,513	16,015,860	38,517,373	21,265,296	13,071,902	34,337,198	1,236,217	4,180,175	40,501,316
Of which:										
Total Resource	1.1	21,758,543	16,015,860	37,774,403	20,537,223	13,071,902	33,609,125	1,221,320	4,165,278	39,776,197
Total Capital	1.2	742,970	–	742,970	728,073	–	728,073	14,897	14,897	725,119
Total		22,501,513	16,015,860	38,517,373	21,265,296	13,071,902	34,337,198	1,236,217	4,180,175	40,501,316

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

				2024-25 £000	2023-24 £000	
SOPS note	Estimate		Outturn		Outturn vs. Estimate, saving	Total Outturn
Net cash requirement	3	22,032,919		20,652,885	1,380,034	20,628,323
Administration costs	1.1	1,140,483		1,066,756	73,727	982,812

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Outturn against Parliamentary Supply

SOPS 1. Outturn detail, by Estimate Line

We are required to ensure that our expenditure remains within the voted limits set by Parliament. This note provides details of how we performed against each line of the Estimate.

Voted expenditure includes the costs of running HMRC as well as Cost of Living Payments. It also includes payments to individuals for social benefits, payments in lieu of tax relief and certain rates payments, shown as line L, made by the Valuation Office Agency.

HMRC also makes payments for which the funding is not subject to the vote system. This non-voted expenditure mainly relates to certain corporation tax reliefs, other reliefs including personal tax credits and our costs related to the National Insurance Fund.

HM Treasury requires us to further analyse our income and expenditure between administration, which relates to running the department (for example: human resources, finance, estates management) and programme, which relates to delivering our frontline services (for example: parts of HMRC that interact directly with our customers).

The following tables record our actual outturn expenditure for Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), voted and non-voted, against the limits set by Parliament for each line of the Estimate. SOPS 1.1 (table 32) provides analysis of resource expenditure and SOPS 1.2 (table 33) capital expenditure.

Full information about the Valuation Office Agency activities can be found within their accounts viewed at: www.gov.uk/government/organisations/valuation-office-agency

SOPS 1.1 Analysis of resource outturn by Estimate line

Table 32: Analysis of resource outturn by Estimate line

		2023-24 £000				2024-25 £000				2023-24 £000	
Type of spend (Resource)	Estimate	Outturn						Outturn vs Estimate Saving/ (excess)	Outturn	Total	
		Administration		Programme		Outturn					
		Gross	Income	Net	Gross	Income	Net				Net Total
Spending in Departmental Expenditure Limit											
Voted:											
A HMRC administration	5,590,264	1,120,455	(117,781)	1,002,674	4,619,023	(266,796)	4,352,227	5,354,901	235,363	5,271,201	
B VOA administration	208,830	-	-	-	262,855	(61,147)	201,708	201,708	7,122	183,309	
C Utilised provisions	20,000	-	-	-	7,995	-	7,995	7,995	12,005	10,004	
D Cost of Living ¹	1	-	-	-	(5,248)	-	(5,248)	(5,248)	5,249	760,000	
Total voted	5,819,095	1,120,455	(117,781)	1,002,674	4,884,625	(327,943)	4,556,682	5,559,356	259,739	6,224,514	
Non-voted:											
E National Insurance Fund	233,000	64,082	-	64,082	210,428	-	210,428	274,510	(41,510)	277,222	
Total non-voted	233,000	64,082	-	64,082	210,428	-	210,428	274,510	(41,510)	277,222	
Total spending in Departmental Expenditure Limit	6,052,095	1,184,537	(117,781)	1,066,756	5,095,053	(327,943)	4,767,110	5,833,866	218,229	6,501,736	
Spending in Annually Managed Expenditure											
Voted:											
F Child Benefit	14,341,842	-	-	-	13,302,821	-	13,302,821	13,302,821	1,039,021	12,510,146	
G Tax-Free Childcare	659,573	-	-	-	617,876	-	617,876	617,876	41,697	635,340	
H Providing payments in lieu of tax relief to certain bodies	193,485	-	-	-	192,610	-	192,610	192,610	875	173,626	
I Lifetime ISA	598,234	-	-	-	624,403	-	624,403	624,403	(26,169)	499,125	
J Help to Save	64,749	-	-	-	45,031	-	45,031	45,031	19,718	51,654	
K HMRC administration	9,460	-	-	-	120,587	-	120,587	120,587	(111,127)	(3,987)	
L VOA payments of Local Authority rates	90,500	-	-	-	87,735	(4,957)	82,778	82,778	7,722	83,738	
M VOA administration	1,500	-	-	-	898	-	898	898	602	853	

Type of spend (Resource)

N Utilised provisions

O COVID-19²

Total voted

Non-voted:

P Personal tax credits

Q Other reliefs and allowances

Total non-voted

Total spending in Annually Managed Expenditure

Total voted

Total non-voted

Total

										2023-24 £000
										2024-25 £000
Estimate	Outturn						Outturn vs Estimate		Outturn	
	Administration			Programme			Outturn	Saving/ excess)		
	Gross	Income	Net	Gross	Income	Net	Net Total			
Net Total									Total	
(20,000)	-	-	-	(7,997)	-	(7,997)	(7,997)	(12,003)	(14,730)	
105	-	-	-	(1,140)	-	(1,140)	(1,140)	1,245	(21,800)	
15,939,448	-	-	-	14,982,824	(4,957)	14,977,867	14,977,867	961,581	13,913,965	
3,793,805	-	-	-	2,669,737	-	2,669,737	2,669,737	1,124,068	7,307,214	
11,989,055	-	-	-	10,127,655	-	10,127,655	10,127,655	1,861,400	12,053,282	
15,782,860	-	-	-	12,797,392	-	12,797,392	12,797,392	2,985,468	19,360,496	
31,722,308	-	-	-	27,780,216	(4,957)	27,775,259	27,775,259	3,947,049	33,274,461	
21,758,543	1,120,455	(117,781)	1,002,674	19,867,449	(332,900)	19,534,549	20,537,223	1,221,320	20,138,479	
16,015,860	64,082	-	64,082	13,007,820	-	13,007,820	13,071,902	2,943,958	19,637,718	
37,774,403	1,184,537	(117,781)	1,066,756	32,875,269	(332,900)	32,542,369	33,609,125	4,165,278	39,776,197	

Figures in the areas outlined in thick line are the amounts that comprise the Group's consolidation position but have been separately identified in alignment with the Estimate and internal governance.

¹ The balance of Cost of Living payments due from 2023 to 2024, payable in 2024 to 2025 was lower than anticipated. The release of the underutilised accrual has resulted in a credit balance in 2024 to 2025.

² Repayments of COVID-19 support schemes payments received and reported in the Resource Accounts exceeded expenditure for the financial year 2023 to 2024 and 2024 to 2025.

+ Full information about VOA payments of Local Authority rates can be found at:

www.voa.gov.uk

SOPS 1.2 Analysis of capital outturn by Estimate line

Table 33: Analysis of capital outturn by Estimate line

					2024-25 £000	2023-24 £000
Type of spend (Capital)	Estimate	Outturn		Outturn vs Estimate		Outturn
	Net Total	Gross	Income	Outturn Net total	Saving/ (excess)	Total
Spending in Departmental Expenditure Limit						
Voted:						
A HMRC administration	698,185	708,322	(21,960)	686,362	11,823	695,753
B VOA administration	44,524	42,622	(913)	41,709	2,815	29,364
C Utilised provisions	—	—	—	—	—	—
D Cost of Living	—	—	—	—	—	—
Total voted	742,709	750,944	(22,873)	728,071	14,638	725,117
Non-voted:						
E National Insurance Fund	—	—	—	—	—	—
Total non-voted	—	—	—	—	—	—
Total spending in Departmental Expenditure Limit	742,709	750,944	(22,873)	728,071	14,638	725,117
Spending in Annually Managed Expenditure						
Voted:						
F Child Benefit	11	2	—	2	9	2
G Tax-Free Childcare	—	—	—	—	—	—
H Providing payments in lieu of tax relief to certain bodies	—	—	—	—	—	—
I Lifetime ISA	—	—	—	—	—	—
J Help to Save	—	—	—	—	—	—
K HMRC administration	—	—	—	—	—	—
L VOA payments of Local Authority rates	—	—	—	—	—	—
M VOA administration	250	—	—	—	250	—
N Utilised provisions	—	—	—	—	—	—
O COVID-19	—	—	—	—	—	—
Total voted	261	2	—	2	259	2
Non-voted:						
P Personal tax credits ¹	—	411,948	(411,948)	—	—	—
Q Other reliefs and allowances	—	—	—	—	—	—
Total non-voted	—	411,948	(411,948)	—	—	—
Total spending in Annually Managed Expenditure	261	411,950	(411,948)	2	259	2
Total voted	742,970	750,946	(22,873)	728,073	14,897	725,119
Total non-voted	—	411,948	(411,948)	—	—	—
Total	742,970	1,162,894	(434,821)	728,073	14,897	725,119

Figures in the areas outlined in thick line are the amounts that comprise the Group's consolidation position but have been separately identified in alignment with the Estimate and internal governance.

¹ The transfer of personal tax credit receivables balance to DWP results in capital grant in kind entries that net to nil.

SOPS 2. Reconciliation of outturn to net operating expenditure

As noted in the introduction to the SOPS, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

Table 34: Reconciliation of net resource outturn to net operating expenditure

		2024-25	2023-24
		£000	£000
	Reference	Outturn	Outturn
Statement of Parliamentary Supply: Total resource outturn			
Departmental Expenditure Limit	SOPS 1.1	5,833,866	6,501,736
Annually Managed Expenditure	SOPS 1.1	27,775,259	33,274,461
		33,609,125	39,776,197
Excluded from SOPS total resource outturn:			
Expenditure:			
Transfer of personal tax credits receivables to DWP		411,948	166,679
Expenditure meeting ESA10 R&D criteria		1,497	2,057
Adjustments for ESA10 capitalisations		4,000	–
Child Benefit (Child Trust Fund)	SOPS 1.2	2	2
Non-current asset costs outside of budgeting		304	5,287
Income:			
Grant capital income and non-current assets received.		(5,740)	(49,292)
Payable to the Consolidated Fund	SOPS 4	(872)	(850)
		411,139	123,883
Excluded from Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) net operating expenditure:			
Expenditure:			
Service concession arrangements liability repayment		(4,736)	(6,877)
Financing income and expenditure		(11,952)	(16,402)
		(16,688)	(23,279)
Consolidated Statement of Comprehensive Net Expenditure:			
Net operating expenditure	Page 227	34,003,576	39,876,801

Explanation of reconciling items

Transfer of personal tax credits receivables to Department for Work and Pensions (DWP)

The receivables balance relating to customers who have made a valid claim to Universal Credit, now administered by DWP. Detail is presented in Resource Accounts note 4.1.2.

Expenditure meeting ESA10 R&D criteria

This represents expenditure that does not meet the criteria for capitalisation under IFRS but satisfies the ESA10 definition of R&D and is therefore treated as expenditure in the Statement of Comprehensive Net Expenditure, but as capital within budgets. The adjustment of £4 million represents historic values previously added to non-current assets which have been removed in 2024 to 2025 following reassessment.

Non-current asset costs outside of budgeting and service concession arrangements

The department has capitalised certain properties that were sold to private sector contractors and subsequently leased back under a Private Finance Initiative (PFI) contract as leases under IFRIC 12 Service Concession Arrangements. Budgetary treatment for these arrangements is determined in accordance with national accounts methodology to ensure that budgets reflect the fiscal impacts of the transactions.

Grant capital income and non-current assets received

Value recorded in 2024 to 2025 represents the value of leases provided on a peppercorn basis.

The comparative relates to the value of a non-current asset received from Department for Transport by way of a capital grant in kind. This relates to the provision of a unified shared service across HMRC, Department for Transport and Ministry of Housing, Communities and Local Government.

Income payable to the Consolidated Fund

Income that is either in excess of limits included in the voted estimates or is outside the scope of what is allowed to be retained. For these reasons, this income is excluded from the SOPS.

SOPS 2.1 SOPS aligned to the SOCNE

SOPS 2.1 has been included to provide further transparency on the correlation between budgeting, as shown in the Statement of Parliamentary Supply, and expenditure, as shown in the Statement of Consolidated Net Expenditure.

Table 35: SOPS aligned to the SOCNE

					2024-25	2023-24			
					£m	£m			
	Note	Annually Managed Expenditure	Departmental Expenditure Limit	Non-budget	Departmental group	Annually Managed Expenditure	Departmental Expenditure Limit	Non-budget	Departmental group
Cash items:									
		13,307.1	–	–	13,307.1	12,514.4	–	–	12,514.4
	4.1.4	10,123.3	–	–	10,123.3	12,049.1	–	–	12,049.1
	4.1.1	2,460.4	–	–	2,460.4	7,305.5	–	–	7,305.5
		617.9	–	–	617.9	635.3	–	–	635.3
		624.4	–	–	624.4	499.1	–	–	499.1
		280.3	–	–	280.3	262.6	–	–	262.6
		45.0	–	–	45.0	51.7	–	–	51.7
		(1.1)	–	–	(1.1)	(22.0)	–	–	(22.0)
		–	(5.2)	–	(5.2)	–	760.0	–	760.0
		–	3,535.2	–	3,535.2	–	3,551.6	–	3,551.6
		–	1,580.6	(45.5)	1,535.1	–	1,543.1	2.1	1,545.2
		–	137.1	–	137.1	–	100.0	–	100.0
		–	302.9	(15.4)	287.5	–	266.6	–	266.6
Non-cash items:									
		–	–	412.0	412.0	–	–	166.7	166.7
	7	–	470.8	–	470.8	–	392.3	–	392.3
	6, 8.1	11.6	124.8	5.9	142.3	12.2	126.3	8.9	147.4

					2024-25 £m	2023-24 £m			
	Note	Annually Managed Expenditure	Departmental Expenditure Limit	Non-budget	Departmental group	Annually Managed Expenditure	Departmental Expenditure Limit	Non-budget	Departmental group
Personal tax credit provisions		209.3	–	–	209.3	1.7	–	–	1.7
Other provisions	13	109.6	2.6	–	112.2	(15.9)	(0.1)	–	(16.0)
Other		0.3	105.3	(1.5)	104.1	0.6	33.1	(3.6)	30.1
Total expenditure		27,788.1	6,254.1	355.5	34,397.7	33,294.3	6,772.9	174.1	40,241.3
Total operating income		(5.0)	(445.6)	56.5	(394.1)	(5.2)	(309.2)	(50.1)	(364.5)
Net operating expenditure		27,783.1	5,808.5	412.0	34,003.6	33,289.1	6,463.7	124.0	39,876.8
Finance income		–	(0.8)	–	(0.8)	–	(0.8)	–	(0.8)
Finance expense		–	12.7	–	12.7	–	17.2	–	17.2
Net expenditure for the year		27,783.1	5,820.4	412.0	34,015.5	33,289.1	6,480.1	124.0	39,893.2
Reconciliation to SOPS 1.1 & SOPS 2 ¹ :						AME	DEL	Non-budget	
SoCNE Net expenditure for the year						27,783.1	5,820.4	412.0	
Service concession arrangements liability repayment						–	4.7	–	
Provision utilisation						(8.0)	8.0	–	
SOPS 1.1 (£m)						27,775.1	5,833.1	–	
SOPS 2 Excluded from SOPS total resource outturn (£m)									124.0

¹ The totals may differ to the information in the Statement of Parliamentary Supply due to rounding

SOPS 3. Reconciliation of net resource outturn to net cash requirement

As noted in the introduction to the SOPS, the outturn and Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this statement reconciles the resource and capital outturn to the net cash requirement.

Table 36: Reconciliation of net resource outturn to net cash requirement

	SOPS note	Estimate £000	Outturn £000	Outturn compared to Estimate: saving/ (excess) £000
Resource outturn	1.1	37,774,403	33,609,125	4,165,278
Capital outturn	1.2	742,970	728,073	14,897
Accruals to cash adjustments:				
Remove non-cash items:				
Depreciation and amortisation		(846,307)	(607,285)	(239,022)
New provisions and adjustments to existing provisions		(10,960)	(112,217)	101,257
Other non-cash items		–	(105,687)	105,687
Reflect movement in working balances:				
Increase/(decrease) in inventories		581	–	581
Increase/(decrease) in receivables		85,000	37,465	47,535
(Increase)/decrease in payables		283,092	85,676	197,416
Use of provisions		20,000	7,997	12,003
Other adjustments:				
Remove non-voted budget items:				
Funded outside the vote ¹		(16,015,860)	(13,071,902)	(2,943,958)
Lease liability repayment		–	72,003	(72,003)
Other		–	9,637	(9,637)
Net cash requirement		22,032,919	20,652,885	1,380,034

¹ Of the outturn included in SOPS 3, this represents the extent of non-voted expenditure for which funding has, or will be, obtained from the associated sources (the Trust statement and National Insurance Fund). The resulting net cash requirement therefore only relates to voted expenditure.

SOPS 4. Income payable to the Consolidated Fund

SOPS 4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by us, the following income is payable to the Consolidated Fund. This is income which is outside the ambit of the Supply Estimate and is required to be paid over to HM Treasury.

Table 37: Analysis of income payable to the Consolidated Fund

	Reference	Outturn 2024-25 £000		Outturn 2023-24 £000	
		Accruals	Cash basis	Accruals	Cash basis
Income outside the ambit of the Estimate	SOPS 2	872	872	850	850
[Excess] cash surrenderable to the Consolidated Fund		–	–	–	–
Total amount payable to the Consolidated Fund	Page 230 (in CSoCiTE)	872	872	850	850

SOPS 4.2 Consolidated Fund income

Consolidated Fund income shown in SOPS note 4.1 above does not include any amounts collected by the department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement, see pages 199 to 224.

Losses and special payments

These losses and special payments relate to the running of the departmental group, including benefits and credits paid from the department's budget. Full details on revenue losses can be found in HMRC's Trust Statement, see page 215.

Losses statement¹

Losses are made up of remissions and write-offs. Remissions are generated by the process used to identify and treat as foregone money owed to HMRC which we have decided not to pursue - for example, on the grounds of value for money. Write-offs is the term used to describe money owed to HMRC that is considered to be irrecoverable - for example, because there are no practical means for pursuing it.

Table 38: Losses statement

	2024-25		2023-24	
	Departmental group		Departmental group	
	cases	£m	cases	£m
Personal tax credits remissions and write-offs	671,782	360.5	619,591	352.6
Child Benefit remissions and write-offs	71,929	18.2	49,975	8.7
Exchange rate losses ^{2&3}	30	–	21	–
Others ³	185	3.5	363	–
Total	743,926	382.2	669,950	361.3

In 2024 to 2025 £360.5 million of personal tax credit debt was remitted/written off as it was uncollectable (2023 to 2024 £352.6 million). For further information see the Resource Accounts on pages 245 to 248 (notes 4.1.1 and 4.1.2).

In 2024 to 2025 the department wrote off £18.2 million of Child Benefit debt that was uncollectable (2023 to 2024 £8.7 million).

There were no individual cases of more than £300,000.

¹ This section has been subject to external audit.

² The monetary sum of the cases in 2023 to 2024 and 2024 to 2025 is immaterial.

³ The monetary sum of comparative totals in 2023 to 2024 was immaterial.

Special payments¹

These include compensation and ex-gratia payments in respect of personal injury, damage to property and those which result from the department's redress policy. For further information on reporting requirements please see guidance in **Managing Public Money**, Annex 4.13.

Table 39: Special payments

	2024-25		2023-24	
	Departmental group		Departmental group	
	cases	£m	cases	£m
Payments and accruals	18,918	4.2	16,656	3.2

Severance payments are included within special payments shown above. These are paid under certain circumstances to employees, contractors, and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract. For 2024 to 2025 we made 9 payments totalling £85,535 (2023 to 2024 6 payments totalling £63,750) in respect of severance cases. The highest payment was £25,000 (2023 to 2024 £23,000) and the lowest payment was £35 (2023 to 2024 £3,000). The median payment was £6,000 (2023 to 2024 £9,375).

There were no individual cases of more than £300,000.

¹ This section has been subject to external audit.

Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of IAS 37, the department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

The department has the following quantifiable remote contingent liabilities.

Table 40: Indemnities

	1 April 2024	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2025	Amount reported to Parliament by departmental minute
	£m	£m	£m	£m	£m	£m
Indemnities	33.8	0.1	–	(7.1)	26.8	–

Managing Public Money requires that the full potential costs of indemnified contracts be reported to Parliament.

Reconciliation of contingent liabilities included in the supply estimate to the Resource Accounts

Quantifiable contingent liabilities:

Description of contingent liabilities	Supply Estimate (£000)	Amount disclosed in Resource Accounts (£000)	Variance (Estimate vs amount disclosed in Resource Accounts, £000)
Legal claims	140,700	132,500	8,200
Guaranteed costs	600	600	–
Other	62,500	80,400	(17,900)
Valuation Office Agency – legal claims	720	300	420
Valuation Office Agency – dilapidations	700	700	–

Unquantifiable contingent liabilities: The department has unquantifiable contingent liabilities relating to some legal claims.

The department has no remote unquantifiable contingent liabilities.



John-Paul Marks
Accounting Officer

15 July 2025

Our Accounts

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The Trust Statement – Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I have audited the financial statements of the HM Revenue & Customs (referred to as HMRC) Trust Statement for the year ended 31 March 2025 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise HMRC Trust Statement's:

- Statement of Financial Position as at 31 March 2025;
- Statement of Revenue, Other Income and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the HMRC Trust Statement's affairs as at 31 March 2025 and its net tax receipts revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024. I am independent of HMRC and its Trust Statement in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Exchequer and Audit Departments Act 1921 Commissioners for Revenue and Customs Act 2005
Parliamentary authorities	Exchequer and Audit Departments Act 1921
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that HMRC's use of the going concern basis in respect of its Trust Statement in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on HMRC's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Principal Accounting Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the HMRC Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements for the current period and include the most significant risks of material misstatement (whether or not due to fraud) that I identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. The key audit matters are included in the table below.

These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the potential for management override of controls, the migration of certain IT systems to the cloud by HMRC as part of its 'Securing our Technical Future' programme, or

payments due to the Consolidated Fund as these are areas where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out in the Governance Statement.

Key audit matter 1 – IT systems that impact financial reporting

Description of risk

HMRC’s IT environment is complex with several new and legacy IT systems supporting a wide range of taxes. Due to HMRC’s significant reliance on IT systems, effective general IT controls are critical to allow reliance to be placed on the completeness and accuracy of financial data. IT audit forms a core part of my assurance of the tax administration and financial reporting systems.

How the scope of my audit responded to the risk

- My IT specialists carried out work in the following areas:
- Tested General IT controls including change management, access management, computer operations and systems development.
 - Examined the end-to-end business processes to identify the key controls whose absence or failure would significantly increase the possibility of a material error. The type of controls vary from manual controls to fully automated controls embedded within the IT applications
 - Identified relevant controls and tested supporting IT general controls for the application(s) involved (around access, change and operations)
 - Tested IT interfaces for significant taxes such as Self Assessment, Corporation Tax and Value Added Tax

Key observations

I am satisfied that HM Revenue & Customs’ overall IT control environment appropriately supports the financial reporting process.

Key audit matter 2 – Presumed Risk of Fraud in Revenue Recognition

Description of risk

Under International Standard on Auditing (UK and Ireland) 240 there is a presumed rebuttable significant risk of material misstatement due to fraud in revenue recognition. HMRC's Trust Statement reports £875.9 billion of tax revenue in accordance with the revenue recognition requirements of the Government Financial Reporting Manual (FReM).

An element of the tax receipts revenue figure relies on judgement and is brought to account through material accounting estimates which could, in theory, be subject to manipulation. The focus of my audit is, therefore, on those areas of tax receipts revenue that are subject to high degrees of estimation and where the application of HMRC's accounting policy for the recognition of revenue requires judgements to be made. I consider that this risk relates primarily to two specific areas as follows:

- the Accrued Revenue Receivable (ARR) estimates in relation to taxes and duties such as Self-Assessment income tax and Corporation Tax, where management need to make judgements on the amount of revenue accrued as tax returns reporting taxpayer liabilities or associated tax payments are not filed until after the Trust Statement has been published. These account for £146.2 billion of total tax receipts revenue generated.
- Postponed tax liabilities where these are pending the outcome of an appeal by the taxpayer against the tax assessments raised. These primarily relate to Corporation Tax, Self Assessed Income Tax and VAT and amounted to some £38 billion in 2024-25

My response to addressing the risk of material misstatement in this area included:

- Reviewing the tax stream methodologies that set out how tax receipts revenue for each tax streams is accounted for and assured. I considered whether the accounting treatments set out in those methodologies are applied consistently and are aligned to the revenue recognition criteria set out in HM Treasury's Financial Reporting Manual.
- Evaluating the assumptions and underlying data that determine the revenue recognition point.

How the scope of my audit responded to the risk

- Reviewing the quality assurance processes, performed by HMRC's analyst and finance functions, where these are designed to provide assurance over the production of significant estimates.
- Considering the judgements around accounting for certain taxes on a cash or partial accruals basis and ensuring that HM Treasury dispensation for accounting on a cash basis is in place where required.
- Testing the judgements applied when deciding whether postponed tax liabilities properly meet the revenue recognition criteria and so should be brought to account. This included sample testing of Corporation Tax, Self Assessed Income Tax and VAT postponed tax liabilities to assess whether derecognition of these tax liabilities properly met the revenue derecognition criteria.

Key observations

Based on the evidence reviewed and the audit work completed I have not identified any instances of fraud in revenue recognition.

Key audit matter 3 – Corporation Tax and Self-Assessment Accrued Revenue Receivable Estimates

Description of risk

HMRC relies on complex models to calculate the value of the Corporation Tax (CT) and Self-Assessment (SA) Accrued Revenue Receivable (ARR) balance in the Trust Statement. HMRC estimate tax receipts for CT and SA because there is a considerable time lag between the end of the period to which the tax liability relates and the submission of a tax return by the taxpayer in line with appropriate tax legislation. The CT ARR estimate reported in the 2024-25 accounts is £14.3 billion (2023-24 £14.1 billion) of which £8.7 billion (2023-24 £8.9 billion) related to CT ARR estimate with the remainder relating to postponed adjustments. The SA ARR balance reported in the 2024-25 accounts is £28.9 billion (2023-24 £31.4 billion).

I consider this gives rise to significant risks for the audit due to the complexity of the models, the extent of estimation uncertainty arising from the need for management to make significant judgements around the balance of tax receipts revenue accrued and apply assumptions around areas such as late payments, overpayment and economic determinants when producing the estimate.

In planning the audit, I considered that the prevailing economic conditions which remain uncertain may increase the level of estimation uncertainty and that HMRC may need to revisit some long-standing assumptions, including those that rely on historical data such as income growth rates for SA and late payments and overpayments for CT.

**How the
scope of
my audit
responded to
the risk**

My response to addressing the risk of material misstatement in this area included:

- Understanding and evaluating the design and implementation of controls around the preparation of the estimates including the quality assurance processes and the results of any retrospective review of the estimate.
- Testing the completeness and accuracy of the input data in the models including assurance from my IT auditors in relation to system generated reports used in the model.
- Evaluating the models to confirm that they are operating in accordance with their design.
- Assessing the completeness and appropriateness of significant assumptions including assumptions on late payments, and overpayments for CT and self-employed income growth and dividend income growth for SA.
- Evaluating the sensitivity analysis on key assumptions outlined above.
- Engaging my own experts in modelling to support my work evaluating the methodology, logical integrity and assumptions applied in the estimates performed by management.
- Identifying where management have used experts and evaluating the competence, capabilities, and experience of those experts. This included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management.
- Challenging management's assessment of estimation uncertainty, and
- Reviewing the accounts disclosures to confirm that the recorded amounts reflect the outputs of the model; and that the narrative disclosures are adequate and appropriate.

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that the CT and SA ARR balances are reasonably stated and adequately disclosed in the accounts.

Key audit matter 4 – Oil and Gas Decommissioning provision

Description of risk

The Oil and Gas Decommissioning provision reflects HMRC's estimate of the repayments of tax it expects to make to companies in future periods as they decommission oil and gas fields in the North Sea. It was valued at £5.8 billions at 31 March 2025 (£5.7 billion at 31 March 2024).

The provision is inherently uncertain in that it is required to forecast the future costs and profitability of the oil and gas sector, alongside other key assumptions such as future oil and gas prices and decommissioning costs, in arriving at an estimate of HMRC's liability. Accordingly, I consider the provision to represent a significant risk in the context of my audit.

Key features that necessarily drive complexity and estimation uncertainty in the model include: the use of micro simulation modelling techniques; the number of data sources and economic determinants applied; the long-range nature of the key assumptions extending out to 2067; the complex coding required in arriving at the model outputs, the current volatility of oil and gas prices and the impact of climate change on future production.

My response to addressing the risk of material misstatement in this area included:

- Understanding and evaluating the design and implementation of controls around the preparation of the estimates including the quality assurance processes and the results of any retrospective review of the estimate.
- Assessing the approach to measuring the provision against the requirements of IAS 37.
- Testing the completeness and accuracy of the input data in the model including field and company ownership and field forecasts.
- Reviewing and evaluating the model to confirm that it is operating in accordance with its design.
- Assessing the completeness and appropriateness of significant assumptions including assumptions on decommissioning expenditure and oil and gas prices.
- Evaluating the sensitivity analysis on key assumptions.
- Re-performing the calculation using an auditor generated model and confirming that the output is materially consistent with the figure disclosed by HMRC.
- Identifying where management have used experts and evaluating the competence, capabilities, and experience of those experts. This included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management.
- Engaging my own experts in modelling to support my work evaluating the methodology, logical integrity and assumptions applied in the estimates performed by management.
- Challenging management's assessment of estimation uncertainty.
- Reviewing the accounts disclosures to confirm that the recorded amounts reflect the outputs of the model; and that the narrative disclosures are adequate and appropriate.

How the scope of my audit responded to the risk

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that the oil and gas decommissioning provision is reasonably stated and adequately disclosed in the accounts.

Key audit matter 5 – VAT and Self-Assessment Repayments

Description of risk

The tax receipts revenue repayable by HMRC each year is significant at £156.6 billion (£148.8 billion in 2023-24). The two largest components of repayments are VAT £108.9 billion (£112.2 billion 2022-23) and income tax £17.3 billion (£17.9 billion 2023-24). For both VAT and income tax, HMRC used TRUCE (the Transaction Risking Upstream in a Connect Environment) to identify and stop repayments that may require investigation. From August 2023, HMRC replaced TRUCE with IDRS (the Investigation and Detection Risking Service) for VAT repayments. The migration for Self Assessment took place in May 2024.

There is a risk that repayments may be made for the incorrect amount, or where the taxpayer is not properly entitled to it. These repayments would be considered to be inconsistent with the relevant legislation and so the expenditure (the net of repayments and related revenue) in the Trust Statement would be considered to be 'irregular'. There is also a risk that repayments are made to entities for which financial sanctions are in place, but where no licence has been obtained by HMRC to authorise these payments. These would also be 'irregular', although they are likely to be immaterial in aggregate.

My risk assessment has identified that the risk of irregular repayments is more likely to arise in VAT and Self-Assessment (as repayments in these taxes can be generated without a corresponding overpayment). Accordingly, the focus of my work was on repayments arising from those tax streams.

My response to addressing the risk of material misstatement and irregularity in this area included reviewing the:

- End-to-end process for automated risk-assessment of repayment claims (TRUCE and IDRS), including the design, implementation, and operating effectiveness of key controls with the support of my IT audit specialists.
- Underlying testing and authorisation documentation for risk rules and scorecards, as well as review of TRUCE and IDRS performance.
- The governance arrangements, including minutes of relevant governance groups to ensure appropriate oversight of risk rules and changes.
- HMRC processes for obtaining licenses which regularise any transactions with individuals and entities on the financial sanctions list. My procedures relating to sample tests included consideration of potential payments made to parties that have been sanctioned by the UK.
- Risk rules that are built into tax stream systems and assessment of management actions to implement previous recommendations relating to repayments; as well as assessing if risk rules are regularly updated to be effective given the current fraud risks relating to repayments; and
- sample of cash repayments for VAT and Self-Assessment to test and assess the validity and regularity of these repayments.

How the scope of my audit responded to the risk

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that repayments are reasonably stated, are regular and adequately disclosed in the accounts.

Key audit matter 6 – Impairment of Receivables and ARR

Description of risk

As agreed with HM Treasury, HMRC's accounting policy is to apply the simplified approach for impairments under IFRS 9 to tax and duty receivables and accrued revenue receivables.

Under IFRS 9, in addition to the information from past events and current conditions, impairment should also be measured using forecasts of future economic conditions available at the reporting date. HMRC has historically calculated the impairment of receivables and accrued revenue receivables based on prior year collection statistics and revenue losses. The prevailing economic conditions have had a significant impact on businesses and individuals in 2024-25, which required HMRC to revisit and update its impairment methodology. As well as using prior year data, HMRC has also considered the age of debt and the speed of debt clearance. Determining the recoverability of receivables is a key source of estimation uncertainty which needs to be adequately and appropriately measured and disclosed in the accounts.

Tax debt was £43 billion at 31 March 2025 (£42.8 billion at 31 March 2024), £0.2 billion (0.5%) higher than the debt reported at 31 March 2024. The tax debt balance is lower than the £68.5 billion reported at the height of the pandemic but remains significantly higher than the pre-pandemic level.

How the scope of my audit responded to the risk

My response to addressing the risk of material misstatement in this area included:

- understanding and evaluating the design and implementation of controls around the preparation of the impairment estimate including the quality assurance processes.
- Testing the completeness and accuracy of the input data in the model including assurance from my IT auditors in relation to system generated reports used in the model.
- Assessing the completeness and appropriateness of significant assumptions including assumptions on level of aged debts, speed of debt clearance and the impact of economic uncertainty.
- Evaluating the sensitivity analysis on key assumptions.
- Evaluating the model to confirm that it is operating in accordance with its design.
- Reviewing management's assessment of estimation uncertainty, and
- Reviewing the disclosures to confirm that the recorded amounts reflect the outputs of the model; and that the narrative disclosures are adequate and appropriate.

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that the impairment of receivables and ARR is reasonably stated and adequately disclosed in the accounts.

Key audit matter 7 – Cash tax receipts processing via the EBS

Description of risk

Cash tax receipts for the year are estimated to total £1,004 billion (2023–24: £971.5 billion), of which approximately 96.7% (£971.1 billion) is processed through the Enterprise Business System (EBS). Given the scale and value of tax receipts involved, the EBS process is a critical component in the preparation of the Trust Statement and is inherently associated with elevated risk.

In particular, the EBS is currently undergoing an enhancement project. The progress made with this project in 2024–25 leads to improved transparency and reconciliation by segregating payment types and, where possible, automatically matching payments to the relevant tax charge or customer account. This leads to unmatched tax receipts being investigated more quickly and allocated to taxpayer records. The system is also designed to post the relevant general ledger entries automatically.

We consider this gives rise to a significant risk for our audit due to the complexity of the system, and the high volume and value of data passing through this process. Accordingly, we have applied enhanced audit procedures in this area to assess the effectiveness of controls, data integrity, and the impact of the system enhancements on financial reporting.

My response to addressing the risk of material misstatement in this area included:

- Reviewing the end-to-end process of receipts allocation and cover all systems the tax receipts may flow through including the design, implementation, and operating effectiveness of key controls to identify any discrepancies in the allocation of receipts with the support of my IT audit specialists. This work is designed to provide assurance on the completeness of receipts.
- selecting a sample of tax receipts from a broad range of tax receipt bank accounts to ensure adequate coverage across receipt types and systems.
- For each sampled item, we:
 - a. Verified that the value of the receipt as recorded in the bank statement matched the amount recorded in the Head of Duty (HOD) system and the General Ledger (GL);
 - b. Confirmed that the receipt was correctly allocated to the appropriate tax type and customer account; and
 - c. Assessed whether the receipt was correctly accounted for in the appropriate reporting period.

How the scope of my audit responded to the risk

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that cash tax receipts are reasonably stated and adequately disclosed in the accounts.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for HMRC's financial statements as a whole as follows:

Materiality	£8.6 billion
Basis for determining materiality	Approximately 1% of tax receipts revenue of £876 billion (2023-24 £843 billion)
Rationale for the benchmark applied	The main driver of the Trust Statement is tax receipts revenue, with the underlying purpose for its production to communicate the tax revenues collected by Government. The Trust Statement has limited expenditure. The key Statement of Financial Position balances relate to accrued revenue receivables which are part of the overall revenue. I consider that the tax receipts revenue figures are of greatest interest to users of the accounts.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 75% of materiality for the 2024-25 audit (2023-24: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would have increased tax receipts revenue by £3.6 billion. The unadjusted audit differences comprise of known differences which would decrease tax receipts revenue by £1 billion and extrapolated differences which would increase tax receipts revenue by £2.6 billion. Extrapolated differences are an error estimation determined, in this case, from the results found in a statistical sample of the represented audit population. The error estimate is made at the 95% confidence level

Audit scope

The scope of my audit was determined by obtaining an understanding of HMRC's and its environment, including department-wide controls, and assessing the risks of material misstatement.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The Principal Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the 'Our Accountability' part of the Annual Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921;
- the information given in the 'Performance Overview', 'Performance Analysis' and 'Our Accountability' parts of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of HM Revenue and Customs and its environment obtained in the course of the audit, I have not identified material misstatements in the 'Performance Overview', 'Performance Analysis' and 'Our Accountability' parts of the Annual Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by HMRC or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the 'Our Accountability' part of the Annual Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Principal Accounting Officer's responsibilities, the Principal Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within HMRC from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921;
- preparing the annual report, in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921; and
- assessing HMRC Trust Statement's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the HMRC Trust Statement will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the HMRC's accounting policies.
- inquired of management, HMRC's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the HMRC's policies and procedures on:
 - o identifying, evaluating and complying with laws and regulations;
 - o detecting and responding to the risks of fraud; and
 - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the HMRC's controls relating to compliance with the Exchequer and Audit Departments Act 1921, Commissioners for Revenue and Customs Act 2005, Managing Public Money and the Finance Act 2024
- inquired of management, HMRC's and those charged with governance whether:
 - o they were aware of any instances of non-compliance with laws and regulations; and
 - o they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and internal specialists on IT audit regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the HMRC for fraud and identified the greatest potential for fraud in the following areas:

revenue recognition, posting of unusual journals, accounting for estimates and the regularity of revenue repayments. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of HMRC's framework of authority and other legal and regulatory frameworks in which HMRC operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of HMRC. The key laws and regulations I considered in this context included Exchequer and Audit Departments Act 1921, Commissioners for Revenue and Customs Act 2005, Finance Act 2024, Managing Public Money and relevant tax legislation.

In addition, I considered the audit risks arising from potential bias in the accounting estimates.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I reviewed the processes, verified the data used and the appropriateness of the assumptions and judgements applied for material estimates presented within the accounts including Self-Assessment accrued revenue receivable, Corporation Tax accrued revenue receivable and the oil and gas decommissioning provision; and
- I tested tax revenue repayments to ensure that those repayments are regular and that, where relevant, HMRC has obtained licences from HM Treasury to allow it to collect tax revenue from entities which are sanctioned.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to

the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 16 July 2025

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of HM Revenue & Customs and of its Departmental Group for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2024. The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2025;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2025 and their net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the effect of the matters described below in the Basis for qualified opinion on regularity section, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2025 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity

Error and fraud in Corporation Tax research and development reliefs

Note 4.1.4 to the Resource Accounts records Corporation Tax research and development reliefs expenditure of £7.7 billion in 2024-25. Where error and fraud result in overpayments, the transactions do not conform with the relevant primary legislation specifying entitlement and calculation criteria, and the expenditure is irregular. Using the latest data available from

a random enquiry programme, at Note 4.1.5 the Department has estimated the level of error and fraud from overpayments that it expects is present within Corporation Tax research and development reliefs expenditure as £481 million (5.9% of related expenditure).

Error and fraud in Personal Tax Credits

Note 4.1.1 to the Resource Accounts records Personal Tax Credits expenditure of £2.7 billion in 2024-25. Where error and fraud results in overpayments and underpayments, the transactions do not conform with the relevant primary legislation specifying entitlement and calculation criteria, and the expenditure is irregular.

For 2024-25 the Department has estimated the mid-point level of error and fraud, which are based on the latest available data are:

- overpayments of £85 million (4.2% of forecast expenditure); and
- underpayments of £15 million (0.8% of forecast expenditure).

Error and fraud in Child Benefit

Note 2 to the Resource Accounts records Child Benefit expenditure of £13.3 billion in 2024-25. Where error and fraud results in overpayments, the transactions do not conform with the with the relevant primary legislation specifying entitlement and calculation criteria, and the expenditure is irregular. For 2024-25 the mid-point of the Department's estimates, which are based on the latest available data are £270 million (2.0% of related expenditure).

I consider the aggregate levels of error and fraud arising from overpayments and underpayments in these areas of expenditure to be material to my opinion on the accounts. I have, therefore, qualified my opinion on the regularity of expenditure in respect of Corporation Tax research and development reliefs, Personal Tax Credits and Child Benefit because of:

- the estimated level of overpayments attributable to error and fraud where payments have not been made for the purposes intended by Parliament; and
- the estimated levels of overpayments and underpayments in these areas of expenditure which do not conform with the relevant authorities.

My report, which follows on pages R1 to R43 provides further details on the basis for my qualified audit opinion on regularity.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities

Authorising legislation	Government Resources and Accounts Act 2000, primary legislation relating to taxation and benefits such as the Corporation Tax Act 2010, Tax Credits Act 2002 and Child Benefit Act 2005.
Parliamentary authorities	Supply and Appropriations (Main Estimates) Act 2024
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

Except for the matters described in the Basis for qualified opinion on regularity section above relating to the regularity of Corporation Tax research and development reliefs expenditure, Personal Tax Credits and Child Benefit expenditure, which are covered more fully on my report

on pages R1 to R43 and not in the table below, I have determined that there are no other key audit matters to communicate in our certificate and report.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the potential for management override of controls as this is an area where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out in the Governance Statement.

There has been no change to the identified risks compared to my prior year report

Key audit matter 1 – IT Systems that impact financial reporting

Description of risk
HM Revenue & Customs’ IT environment is complex with a number of new and legacy IT systems supporting a range of expenditure, benefits, tax credits and tax reliefs. Due to HM Revenue & Customs significant reliance on IT systems, effective general IT controls are critical to allow reliance to be placed on the completeness and accuracy of financial data. IT audit is a core part of my assurance over the systems for providing support through benefits, credits and reliefs and financial reporting systems.

How the scope of my audit responded to the risk	I carried out work in the following areas:
	• Tested of General IT controls including change management, access management, computer operations and systems development. • Examined the end-to-end business processes to identify the key controls whose absence or failure would significantly increase the possibility of a material error. The type of controls vary from manual controls to fully automated controls embedded within the IT applications • Identified relevant controls and tested supporting IT general controls for the application(s) involved (around access, change and operations) • Tested IT interfaces for significant benefits such as tax credits, child benefit and corporation tax R&D reliefs

Key observations
I am satisfied that HM Revenue & Customs’ overall IT control environment appropriately supports the financial reporting process.

Key audit matter 2 – Estimate of Corporation Tax Research and Development expenditure

Description of risk

This risk relates solely to my true and fair opinion, the basis for my qualification on regularity related to Corporation Tax research and development expenditure is explained more fully in my report on pages R1 to R43 and the Basis for qualified opinion on regularity section above.

Corporation Tax research and development reliefs expenditure and liabilities are calculated using a model produced by HM Revenue & Customs statisticians. The model uses past claims data to forecast current year expenditure and liabilities on qualifying expenditure incurred by claimants, but where the claim has not yet been submitted. Expenditure reported in the accounts on Corporation Tax research and development reliefs was £7.7 billion in 2024-25, which is highly material.

There is a risk of material misstatement due to the significant estimation uncertainty inherent in the calculation of the expenditure and liabilities. Estimation uncertainty is driven by the fact that Corporation tax reliefs expenditure and related accruals are estimated using analysis of historic relief claims and applying forecast growth and uplift assumptions, and adjustments made for planned changes in relevant policy and rates. This is because of the time lag of at least two years between the expenditure for which relief is being claimed and the filing of the Corporation Tax claim in relation to that expenditure. HM Revenue & Customs has set out the method used to develop the estimate in note 4.1.4 of the accounts.

How the scope of my audit responded to the risk

- I assessed the process for creating the estimate against the requirements of the accounting standards. I reviewed the design and implementation of controls relating to the production of the estimate.
- I engaged my own experts in modelling to support my work in evaluating the methodology, logical integrity and assumptions applied in the estimates performed by management.
- I re-performed the calculation using an auditor generated model and confirmed that the output is materially consistent with the figure disclosed by HM Revenue & Customs.
- I engaged my IT auditors to agree significant input data streams to source records and examined the code used to extract the data from HM Revenue & Customs systems.
- I evaluated the reasonableness of the key assumptions implicit in the model, comparing past estimates with actual outturn where possible.
- I reviewed the disclosures in the accounts, particularly in relation to estimation uncertainty, sensitivity analysis and significant accounting judgements.

Key observations

Based upon the evidence reviewed and the audit work completed, I am satisfied that expenditure and liabilities reported in the accounts in respect of Corporation Tax research and development reliefs are reasonably stated and adequately disclosed in the accounts.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its group’s financial statements as a whole as follows:

Departmental group	
Materiality	£344,000,000
Basis for determining materiality	1% of gross expenditure of £34.41 billion (2023-24: £40.26 billion)
Rationale for the benchmark applied	HM Revenue & Customs is funded primarily from the Consolidated Fund and expenditure is the most significant element of the accounts by value. The Group’s primary activities, as reported in its Resource Accounts, are to ensure appropriate payment of Personal Tax Credits, Child Benefit, Corporation Tax reliefs and other reliefs, to pay its staff and to manage its administration costs in support of its primary purpose of collecting taxation. Taxation revenue is reported separately in the HM Revenue & Customs Trust Statement. I therefore consider that expenditure is likely to be of greatest interest to users of the accounts and is a suitable basis on which to calculate materiality. As the Group consists of HM Revenue & Customs Resource Accounts and the Valuation Office Agency, an executive agency, the Group and Parent materiality are the same.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2024-25 audit (2023-24: 75%). In determining performance materiality, we have considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the



misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee would have increased net expenditure and decreased net assets by £219.5 million. The unadjusted audit differences comprise of known errors which would increase expenditure and decrease net assets by £71.5 million and extrapolated differences which would increase expenditure and decrease net assets by £148.0 million. Extrapolated differences are an error estimation determined, in this case, from the results found in a statistical sample of the represented audit population. The error estimate is made at the 95% confidence level.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department and its Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

For HM Revenue & Customs I cover substantially all of the Group's gross expenditure, assets and liabilities through the audit of the Core Department. The Valuation Office Agency (VOA) is an Executive Agency of the Department and is the only other component of the Departmental Group. I examined the consolidation data for the VOA to confirm that the results are correctly reported in the Department's consolidated financial statements. I also liaise with the auditors of VOA to consider any risks arising in those component audits and their impact on the Group as a whole.

This work, together with the procedures performed at a group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the 'Our accountability' report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the 'Our performance' and 'Our accountability' reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the 'Our performance' and 'Our accountability' reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the 'Our accountability' report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;



- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Department and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies.

- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:
 - o identifying, evaluating and complying with laws and regulations;
 - o detecting and responding to the risks of fraud; and
 - o the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000; Managing Public Money; Supply and Appropriation (Main Estimates) Act 2024; and primary legislation relating to taxation and benefits such as the Corporation Tax Act 2010, Tax Credits Act 2002 and Child Benefit Act 2005.
- inquired of management, the Department's head of internal audit and those charged with governance whether:
 - o they were aware of any instances of non-compliance with laws and regulations;
 - o they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, developing significant accounting estimates; and expenditure incurred in respect of Personal Tax Credits and Corporation Tax research and development reliefs expenditure. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2024, employment legislation and relevant tax legislation, including the Corporation Tax Act 2020, Tax Credits Act 2002 and Child Benefit Act 2005.

In addition, I considered the audit risks arising from potential bias in the Department's accounting estimates and the potential for material fraud and error to be present in expenditure incurred by the Department in respect of: Personal Tax Credits, Corporation Tax research and development reliefs expenditure and Child Benefit.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;



- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I reviewed the processes, verified the data used and considered the appropriateness of the assumptions and judgements applied for material estimates presented within the accounts including the Department's estimates of error and fraud in Personal Tax Credits, Corporation Tax research and Child Benefit.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report of the Comptroller & Auditor General to the House of Commons

Introduction

HM Revenue & Customs is the lead government department responsible for the collection of the UK's taxes and the customs authority. It has a vital purpose to collect the money that pays for the UK's public services and help families and individuals with targeted financial support, such as through the tax credits system.

I have no observations to make on these financial statements.

Error and fraud in Corporation Tax research and development reliefs, Personal Tax Credits and Child Benefit

I have prepared a Report on HM Revenue & Customs' 2024-25 Accounts, under Section 2 of the Exchequer and Audit Departments Act 1921, on pages R1 to R43. This includes further information on the qualification of my audit opinion on the regularity of Corporation Tax research and development reliefs, Personal Tax Credits and Child Benefit expenditure:

- Corporation Tax research and development reliefs – paragraphs 2.2 to 2.17 on pages R28 to R32.
- Personal Tax Credits – paragraphs 2.18 to 2.28 on pages R32 to R34.
- Child Benefit – paragraphs 2.29 to 2.40 on pages R34 to R41.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 16 July 2025

Trust Statement

Statement of Revenue, Other Income and Expenditure

For the year ended 31 March		2025 £bn	2024 £bn
	Note		
Taxes and duties			
Income Tax	2.1	309.4	286.2
Value Added Tax	2.2	178.5	165.5
Corporation Tax	2.3	89.6	89.6
Hydrocarbon oils duties	2.4	24.7	24.9
Stamp taxes	2.5	18.8	15.0
Capital Gains Tax	2.6	13.8	14.3
Alcohol duties	2.7	12.8	12.5
Insurance Premium Tax	2.8	9.3	8.1
Other taxes and duties	2.9	43.0	43.3
Total taxes and duties		699.9	659.4
Other revenue and income			
National Insurance Contributions	3.1	168.8	177.0
Student Loan recoveries	3.2	4.7	4.4
Fines and penalties	3.3	2.5	2.6
Total other revenue and income		176.0	184.0
Total revenue		875.9	843.4
Less expenditure			
Impairment in-year expenditure	4.3	(2.3)	(9.1)
Revenue losses	4.4	(7.2)	(5.6)
Provisions in-year expenditure	6.1	(0.9)	(1.7)
Total expenditure		(10.4)	(16.4)
Less disbursements			
National Insurance Contributions paid and payable to the National Insurance Funds and National Health Services	3.1	(168.2)	(174.9)
Appropriation of revenue to Resource Account	3.4	(11.4)	(19.1)
Student Loan recoveries paid and payable to the Department for Education	3.2	(4.7)	(4.4)
Taxation paid to the Isle of Man	3.5	(0.3)	(0.3)
Total disbursements		(184.6)	(198.7)
Total expenditure and disbursements		(195.0)	(215.1)
Net revenue for the Consolidated Fund		680.9	628.3

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes at pages 202 to 224 form part of this statement.

Statement of Financial Position

As at 31 March

	Note	2025 £bn	2024 £bn
Non-current assets			
Receivables falling due after one year	4	1.2	1.2
Current assets			
Receivables	4	37.6	32.0
Accrued revenue receivable	4	146.2	144.3
Total current assets		183.8	176.3
Total assets		185.0	177.5
Current liabilities			
Payables	5	(29.7)	(27.2)
Accrued revenue payable	5	(48.5)	(48.4)
Deferred revenue	5	(4.3)	(3.6)
Cash and cash equivalents	5	(1.3)	(1.1)
Total current liabilities		(83.8)	(80.3)
Assets less current liabilities		101.2	97.2
Non-current liabilities			
Provision for liabilities	6	(8.2)	(8.3)
Total assets less total liabilities		93.0	88.9
Balance due to/(due from) Consolidated Fund account	7	93.0	88.9



John-Paul Marks
Accounting Officer

15 July 2025

The notes at pages 202 to 224 form part of this statement.

Statement of Cash Flows

For the year ended 31 March	2025 £bn	2024 £bn
Net revenue for the Consolidated Fund	680.9	628.3
(Increase) / decrease in non-cash assets	(7.5)	(5.6)
Increase / (decrease) in non-cash current liabilities	3.3	4.9
Increase / (decrease) in provision for liabilities	(0.1)	0.8
Net cash flow from operating activities	676.6	628.4
Less: Cash paid to the Consolidated Fund	(676.8)	(628.1)
Increase/(decrease) in cash and cash equivalents in this period	(0.2)	0.3
Net funds as at 1 April (opening cash and cash equivalents balance)	(1.1)	(1.4)
Net funds as at 31 March (closing cash and cash equivalents balance)	(1.3)	(1.1)

Notes to the Trust Statement

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements. The notes also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

1. Statement of accounting policies

1.1 Basis of preparation

The Trust Statement is prepared in accordance with:

- the accounts direction issued by HM Treasury under Section 2 of the Exchequer and Audit Departments Act 1921
- the 2024 to 2025 Financial Reporting Manual (FReM) issued by HM Treasury
- International Financial Reporting Standards (IFRS) adapted or interpreted for the public sector context
- historical cost convention in accordance with the FReM, where assets are recorded at their original value
- accounting policies detailed in subsequent notes.

The accounting policies have been developed by HMRC and have been reviewed during 2024 to 2025. These policies have been applied consistently in dealing with items considered material in relation to the accounts.

HMRC is the UK's tax authority, its core purpose being to collect the money that pays for the UK's public services and provide people with financial support. This is enshrined in legislation (Section 5 of the Commissioners for Revenue and Customs Act 2005 states that the Commissioners are responsible for the collection and management of revenue) and is expected to continue indefinitely, with HMRC's existence being fundamental to the financing of UK infrastructure and government operations. The Trust Statement is therefore prepared on a going concern basis.

The financial information presented is rounded to the nearest £0.1 billion, except for taxation due to the Isle of Man (note 3.5), revenue losses (note 4.4), and Certificates of Tax Deposit (note 8), which are rounded to the nearest £1 million, due to the much smaller amounts disclosed in these notes.

Basis of accounting

The majority of taxes and duties are accounted for on an accruals basis.

As agreed with HM Treasury the following elements are accounted for on a partial accrual basis as not enough information is known to reliably accrue for the revenue, hence there is no accrued revenue receivable estimate in the Statement of Financial Position:

- Corporation Tax for smaller companies that do not pay by instalments – note 2.3
- Capital Gains Tax reported via Self Assessment – note 2.6
- Inheritance Tax – note 2.9

As agreed with HM Treasury the following elements and some repayments are accounted for on a cash basis:

- VAT Import One Stop Shop (IOSS) – VAT return information reported via IOSS is not available at the time of producing the accounts so this is recognised on a cash basis
- Stamp Duty – note 2.5
- National Insurance classes 1A and 1B – note 3.1
- Student Loans – note 3.2
- Interest on receivables – note 4.1

Accounting for these elements on a cash basis does not have a material impact on revenue.

Significant accounting estimates

The preparation of the financial statements includes the use of estimates and assumptions. Although the estimates have been prepared using the best information available at the time of production, actual results may differ from those estimates. The significant accounting estimates with a risk of a material change to the carrying value within the next year in terms of IAS 1, 'Presentation of Financial Statements', are:

- Income Tax self assessment accrued revenue receivable – note 4.2.2
- Corporation Tax (Quarterly Instalment Payments) accrued revenue receivable – note 4.2.3
- Tax receivable and accrued revenue receivable impairment – note 4.3
- Provision for liabilities – note 6

1.2 Revenue recognition

Taxes and duties are measured at the fair value of the consideration received or receivable net of repayments. Revenue is recognised as per the FReM, which is in accordance with International Financial Reporting Standard 15 with adaptations applied, as taxes and duties arise from statute and not a contract. Revenue is recognised when:

- a taxable event has occurred (these are described in note 2 for material taxes and duties),
- the revenue can be measured reliably, and
- it is probable that the economic benefits from the taxable event will flow to HMRC.

Revenues are deemed to accrue evenly over the period for which they are due.

1.3 The tax gap

The tax gap is not recognised or measured in the Trust Statement, in accordance with the requirements of the FReM. The tax gap is the difference between the amount of tax that should, in theory, be paid to HMRC and what is actually collected.

Further information on the tax gap can be found in the section 'Chief Executive's Performance Report, closing the tax gap' (page 15).

2. Accounting policies and analysis

2.1 Income Tax

For the year ended 31 March	2025 £bn	2024 £bn
Pay As You Earn and other Income Tax	261.8	236.2
Self Assessment	46.4	49.4
Simple Assessment	1.2	0.6
Total	309.4	286.2

The taxable event for Income Tax (IT) is the earning of assessable income during the taxation period by the taxpayer. Accrued revenue for Self Assessment is required to be estimated, as tax returns reporting taxpayer liabilities are not filed until after the Trust Statement has been published. See note 4.2.2 for further information.

The Self Assessment accrued revenue estimate was overestimated by £1.4 billion in 2022 to 2023 and £3.7 billion in 2023 to 2024. Underlying total revenue for Self Assessment based on actual outcomes is £2.3 billion lower for 2023 to 2024 and £3.7 billion higher for 2024 to 2025.

IT includes amounts collected on behalf of the Scottish and Welsh devolved administrations, further details of which are set out in note 12.

2.2 Value Added Tax

For the year ended 31 March	2025 £bn	2024 £bn
Gross revenue	287.4	277.7
Less: revenue repayable	(108.9)	(112.2)
Net revenue	178.5	165.5

The taxable event for Value Added Tax (VAT) is the supply of goods and services that attract VAT during the taxation period by the taxpayer. VAT is structured in such a manner that taxpayers are also entitled to claim repayments; hence a breakdown of gross revenue and repayments is disclosed.

As noted last year, net revenue was negatively impacted in 2023 to 2024 by £2.4 billion due to the net accrued revenue actuals for 2022 to 2023 being lower than estimated and a £1.0 billion adjustment for suspended debt.

The actual net accrued revenue for 2023 to 2024 was £1.2 billion higher than the estimates included in accrued revenue receivable and payable for that year, consequently the underlying net revenue figure in 2023 to 2024 was £1.2 billion higher than reported and 2024 to 2025 underlying net revenue lower by a corresponding £1.2 billion.

2.3 Corporation Tax

For the year ended 31 March	2025 £bn	2024 £bn
Total	89.6	89.6

The taxable event for Corporation Tax (CT) is the earning of assessable profit during the taxation period by the taxpayer. The nature of CT legislation and our associated systems mean that accrued revenue is required to be estimated, as tax returns reporting taxpayer liabilities,

reliefs or associated tax payments related to the taxation period are not filed until after the Trust Statement has been published. See note 4.2.3 for further information.

The accrued revenue estimate for 2022 to 2023 was underestimated by £1.0 billion, and for 2023 to 2024 was overestimated by £1.5 billion. Underlying total revenue based on actual outcomes is £2.5 billion lower for 2023 to 2024 and £1.5 billion higher for 2024 to 2025.

CT is accounted for on a partial accrual basis, as agreed with HM Treasury (see note 1.1), because not enough information is known to reliably accrue for the revenue for smaller companies that do not pay by instalments. There is no accrued revenue receivable estimate in the Statement of Financial Position for these smaller companies.

Estimates for some corporation tax reliefs (CTR), those where there is, or could be, a payable element in excess of negative taxation, are reported in the Resource Accounts. As per the FReM, £9.5 billion (£11.7 billion in 2023 to 2024) was recorded in the Trust Statement as revenue received and as a disbursement from the Trust Statement to the Resource Accounts to fund the CTR expenditure reported in the Resource Accounts. For further information see note 4.1.4 in the Resource Accounts.

2.4 Hydrocarbon oils duties

For the year ended 31 March	2025 £bn	2024 £bn
Total	24.7	24.9

The taxable event for hydrocarbon oils duties is the date of production, date of import or movement of relevant goods out of a duty suspended regime (a regime where, under UK legislation, certain goods benefit from a temporary suspension or reduction of import duties).

2.5 Stamp taxes

For the year ended 31 March	2025 £bn	2024 £bn
Stamp Duty Land Tax	14.3	11.7
Stamp Duty Reserve Tax	3.1	2.3
Stamp Duty	1.3	0.9
Annual Tax on Enveloped Dwellings	0.1	0.1
Total	18.8	15.0

The taxable event for:

- Stamp Duty Land Tax (SDLT) is the purchase of property.
- Stamp Duty Reserve Tax and Stamp Duty is the purchase of shares. HMRC can only record Stamp Duty when a stamp is presented to HMRC and hence the duty is recognised on a cash basis (see note 1.1).
- Annual Tax on Enveloped Dwellings (ATED) is a company owning or part-owning a UK residential property valued at £500,000 or more during a chargeable period. ATED applies to a property that is a dwelling, if all or part of it is used, or could be used, as a residence.

2.6 Capital Gains Tax

For the year ended 31 March	2025	2024
	£bn	£bn
Total	13.8	14.3

The taxable event for Capital Gains Tax (CGT) is the disposal of a chargeable asset leading to a taxable gain.

CGT receipts for UK residents are reported in the Trust Statement on a partial accrual basis and repayments are reported on a cash basis in the period the repayment is made (see note 1.1).

2.7 Alcohol duties

For the year ended 31 March	2025	2024
	£bn	£bn
Wine, cider and perry	4.9	4.8
Spirits	4.2	4.1
Beer	3.7	3.6
Total	12.8	12.5

The taxable event for alcohol duties is the date of production, date of import or date of movement of relevant goods out of a duty suspended regime (a regime where, under UK legislation, certain goods benefit from a temporary suspension or reduction of import duties).

2.8 Insurance Premium Tax

For the year ended 31 March	2025	2024
	£bn	£bn
	9.3	8.1

The taxable event for insurance premium tax is the date the premium is received by the insurer if they are operating the cash receipt method or the date the premium is due if the insurer is operating the special accounting scheme.

2.9 Other taxes and duties

For the year ended 31 March		2025	2024
	Note	£bn	£bn
Inheritance Tax		8.2	7.4
Tobacco duties		7.9	9.0
Customs duties		4.9	4.5
Air Passenger Duty		4.2	3.9
Apprenticeship Levy		4.1	3.9
Betting and Gaming duties		3.7	3.4
Energy Profits Levy		3.3	2.5
Climate Change Levy		1.8	1.6
Bank Levy		1.1	1.3
Digital Services Tax		0.9	0.7
Bank Surcharge		0.7	1.6
Landfill Tax		0.7	0.5
Electricity Generator Levy	2.9.1	0.5	1.8
Aggregates Levy		0.4	0.4
Soft Drinks Industry Levy		0.3	0.4
Plastic Packaging Tax		0.2	0.3
Diverted Profits Tax		0.1	0.1
Residential Property Developer Tax		0.1	0.1
Petroleum Revenue Tax	2.9.2	(0.1)	(0.1)
Total		43.0	43.3

Details of taxes and duties are shown below where:

- taxes are reported in the Trust Statement for the first time;
- accounting adjustments have materially impacted net revenue, and;
- negative net revenue is reported.

2.9.1 Electricity Generator Levy

The Electricity Generator Levy (EGL) is a temporary charge on exceptional receipts exceeding £10 million in an accounting period generated from the production of wholesale electricity. The levy is effective from 1 January 2023 to 31 March 2028. The taxable event for EGL is the earning of exceptional receipts during the taxation period by the taxpayer.

The legislation was granted Royal Assent at the beginning of 2023 to 2024. The 2023 to 2024 accounts contained an additional £0.4 billion of revenue recognised for accrued revenue receivable (ARR), for returns due in 2024 to 2025. The ARR recognised in 2024 to 2025 has reduced in line with electricity price assumptions, resulting in a £0.3 billion reduction to revenue. The residual decrease in revenue is due to the reduction in electricity prices.

2.9.2 Petroleum Revenue Tax

Petroleum Revenue Tax (PRT) is a 'field-based' tax charged on the profits arising from individual oil and gas fields that were approved for development before 16 March 1993. The rate of PRT was permanently set at 0% effective from 1 January 2016 but it has not been abolished so that losses (such as losses arising from decommissioning fields liable to PRT) can be carried back against past PRT payments, with HMRC making a provision for this. For further information on oil and gas field decommissioning costs, please see note 6.3.

3. Other revenue, income and disbursements

3.1 National Insurance Contributions

For the year ended 31 March	2025 £bn	2024 £bn
National Insurance Contributions		
Class 1	165.2	172.4
Class 2	0.3	0.4
Class 4	3.3	4.2
Total National Insurance Contributions (NICs)	168.8	177.0
NIC expenditure	(0.6)	(2.1)
NICs due to NIF and NHS	168.2	174.9
Disbursements		
National Insurance Fund Great Britain (NIF GB)	(129.9)	(137.7)
National Insurance Fund Northern Ireland (NIF NI)	(2.7)	(2.9)
National Health Services (NHS)	(35.6)	(34.3)
Total disbursements	(168.2)	(174.9)

National Insurance Contributions (NICs) are collected by HMRC on behalf of the National Insurance Funds (NIF) of Great Britain and Northern Ireland and the National Health Services (NHS) for England, Wales, Scotland and Northern Ireland. They are payable to the NIF and the NHS when received and not when accrued.

NICs class 3 voluntary contributions are accounted for in the National Insurance Fund accounts [National Insurance Fund Accounts – GOV.UK \(www.gov.uk\)](https://www.gov.uk/national-insurance-fund-accounts).

NICs 1A and 1B information reported via P11D and P11D(b) forms is not available at the time of producing the accounts so these are recognised on a cash basis (see note 1.1).

NICs revenue has reduced compared to the same period last year due to a reduction in some employee rates [Rates and allowances: National Insurance contributions – GOV.UK](https://www.gov.uk/rates-and-allowances-national-insurance-contributions).

3.2 Student Loan recoveries

For the year ended 31 March	2025 £bn	2024 £bn
Student Loan recoveries	4.7	4.4
Student Loan recoveries paid and payable to the Department for Education	(4.7)	(4.4)
Net revenue	–	–

Student Loan repayments are collected on behalf of and paid to the Department for Education (DfE). The majority are collected through PAYE with an element collected through Self Assessment. Any difference between the amount of Student Loan repayments received and the cash paid to the DfE is shown as a payable (refer to note 5 – other taxes and duties).

3.3 Fines and penalties

For the year ended 31 March	2025	2024
	£bn	£bn
Fines and penalties	2.5	2.6

This consists of income arising from the levying of tax fines and penalties. Penalties relating to NICs are accounted for as NIC income and paid over to the National Insurance Fund.

3.4 Appropriation of revenue to the Resource Accounts

For the year ended 31 March	2025	2024
	£bn	£bn
Corporation tax reliefs	9.5	11.7
Personal tax credits	1.9	7.4
Total appropriation of revenue to Resource Accounts	11.4	19.1

The expenditure relating to personal tax credits (PTC) and some corporation tax reliefs (CTR), see note 2.3, is accounted for in the Resource Accounts.

The Trust Statement is responsible for the payment of PTC and CTR through the tax collection and repayment process. As per the FReM, these amounts are recorded in the Trust Statement as revenue received and as a disbursement to Resource Accounts.

The reduction in PTC reflects the migration of claimants to Universal Credit, which is accounted for in the Department for Work & Pensions' accounts. PTC end on 5 April 2025.

For further information on PTC and CTR, see note 4.1.1 and 4.1.4 respectively, on page 245 and page 252 in the Resource Accounts.

For further reference to the disbursement, see the Consolidated Statement of Changes in Taxpayers' Equity, page 230 in the Resource Accounts.

3.5 Taxation due to the Isle of Man

Under the Isle of Man Act 1979, a revenue sharing arrangement exists between the UK and the Isle of Man (IoM). A revised agreement detailing the revenue sharing arrangement was signed on 11 April 2025, superseding all previous agreements. Although the agreement was signed after the financial year end, it applies to the year ending 31 March 2025. Certain tax revenue streams, known as 'common duties' are pooled and then shared on an agreed basis. The IoM is entitled to the share of common duties collected in the UK and the IoM that are attributable to goods consumed and services supplied in the island. If the IoM agreed share is greater than revenues collected and retained by the IoM, this results in the UK making payment to the IoM to ensure the IoM receives the correct share. This is shown as a disbursement. Where the IoM collects and retains more than agreed under the sharing arrangement, the IoM makes payment to the UK. This is shown as other revenue and income.

For the year ended 31 March 2025 net payments to the IoM totalled £333 million (£295 million net payments for the period 1 April 2023 to 31 March 2024).

4. Receivables, accrued revenue receivable, impairment and losses

	As at 31 March 2025			As at 31 March 2024		
	Receivables	Accrued revenue receivable	Total	Receivables	Accrued revenue receivable	Total
	£bn	£bn	£bn	£bn	£bn	£bn
Non-current assets						
Receivables due after one year:						
Inheritance Tax	2.2	–	2.2	2.2	–	2.2
Non-current assets before impairment	2.2	–	2.2	2.2	–	2.2
Less impairment (note 4.3)	(1.0)	–	(1.0)	(1.0)	–	(1.0)
Total non-current assets after impairment	1.2	–	1.2	1.2	–	1.2
Current assets						
Receivables and ARR due within one year:						
Income Tax	18.3	58.3	76.6	12.6	58.4	71.0
Value Added Tax	18.5	47.3	65.8	18.3	46.1	64.4
Corporation Tax	7.0	14.1	21.1	6.7	14.1	20.8
National Insurance Contributions	7.3	18.4	25.7	7.1	18.6	25.7
Other taxes and duties	15.7	10.0	25.7	13.9	9.3	23.2
Current assets before impairment	66.8	148.1	214.9	58.6	146.5	205.1
Less impairment (note 4.3)	(29.2)	(1.9)	(31.1)	(26.6)	(2.2)	(28.8)
Total current assets after impairment	37.6	146.2	183.8	32.0	144.3	176.3
Total assets before impairment	69.0	148.1	217.1	60.8	146.5	207.3
Less impairment (note 4.3) ¹	(30.2)	(1.9)	(32.1)	(27.6)	(2.2)	(29.8)
Total assets after impairment	38.8	146.2	185.0	33.2	144.3	177.5

1 Total impairment of £32.1 billion is shown between non-current and current assets in the table above. In note 4.3 this total is shown by receivables and accrued revenue receivable and in note 4.3.1 by age of debt.

4.1 Receivables

Receivables represent all taxpayer liabilities that have been established, due or overdue, for which payments have not been received at the Statement of Financial Position date. Established taxpayer liabilities that are postponed subject to ongoing appeals are excluded from receivables unless likelihood of receipt is probable (see note 1.2). Accrued interest on interest-bearing receivables is not available at the time of producing the accounts therefore this is recognised on a cash basis (see note 1.1).

Further information on receivables can be found in the section 'Chief Executive's Performance Report, Collecting debt' (page 21).

4.2 Accrued revenue receivable

Accrued revenue receivable (ARR) represents amounts of taxes and duties where the taxable event has occurred but the tax return has not been received from the taxpayer by

the end of the reporting period. For taxes where HMRC has received returns since the end of the reporting period, the department used this information to support its valuation of ARR. For those taxes where HMRC is yet to receive taxpayer returns, principally Income Tax self assessment (ITSA) and Corporation Tax (CT), HMRC has estimated ARR. Due to the nature of tax legislation, ITSA and CT are the most difficult taxes to estimate.

Tax forecasting models are used to produce the ITSA and CT ARR estimates, and take into consideration the economic assumptions prepared for the March 2025 Budget and the Economic and Fiscal Outlook published by the Office for Budget Responsibility (OBR) in March 2025.

These estimates have been prepared using the judgement of professional departmental economists and statisticians.

4.2.1 Uncertainty around the ARR estimates

Conclusions around estimation uncertainty are based on evidence from the performance of our estimation models over previous years, changes to reflect the March 2025 Budget and changes to reflect the Economic and Fiscal Outlook published by the OBR in March 2025.

Actual outcomes could differ from the estimates used, due to the areas of uncertainty involved.

Each year HMRC reviews the performance of its estimation models. Last year, the ARR overestimation was £5.5 billion, 0.7% of 2023 to 2024 total revenue (ARR underestimation of £0.7 billion in 2022 to 2023, 0.1% of 2022 to 2023 total revenue).

The process for each significant estimate is described in more detail below:

4.2.2 Income Tax self assessment

Income Tax self assessment (ITSA) ARR is estimated to be £28.9 billion this year (£31.4 billion in 2023 to 2024), which is included in the total Income Tax ARR of £58.3 billion (£58.4 billion in 2023 to 2024) in note 4.

The SA regime involves long filing and payment lags, so the ARR estimate is based on forecast liabilities as the corresponding SA returns for 2024 to 2025 are not due until 31 January 2026.

The SAARR estimate is the total of the forecast liabilities for 2024 to 2025 less:

- i) any payments already received by 31 March 2025, and
- ii) Unpaid Payment on Account 1 liabilities relating to 2024 to 2025.

The estimate is driven by the March 2025 Budget forecast and the underlying economic determinants are based on the OBR central forecast rather than by receipts data.

There are several key economic factors that underpin these estimates and are the main contributors to the increase in the ARR estimate for 2024 to 2025. These include self-employed income growth, dividend income growth and Average Effective Tax Rates (AETR).

Sensitivity analysis has been produced to demonstrate the impact of changes to key assumptions used in the current estimate, and the results of those considered high-risk are shown in the table below.

Based on historic data, likely changes in key assumptions are not expected to exceed the percentages within the table below.

Impact on ITSA ARR of varying key economic factors

Key assumption (percentage point change)	Increase £bn	Decrease £bn
Mainly SA non-saving non-dividend AETR ¹ (+/-0.6% point)	1.8	(1.8)
Dividend income growth (+/-11% points)	1.7	(1.7)
Mixed income growth (+/-6% points)	1.6	(1.6)
Mainly SA Dividend AETR ¹ (+/-3% points)	0.9	(0.9)
Mainly PAYE NSND SA Liability ² (+/-43% points)	0.7	(0.7)
Mainly SA PAYE deduction rate ¹ (+/-0.55% point)	(0.6)	0.6

1 Mainly SA individuals are those within SA who have some Non-Saving Non Dividend (NSND) income from non PAYE sources such as self-employed income, property income, foreign income or do not have a PAYE source

2 Mainly PAYE individuals are those within SA whose NSND income is entirely from PAYE sources (employment / pension)

4.2.3 Corporation Tax

Corporation Tax (CT) ARR is £14.1 billion (£14.1 billion in 2023 to 2024) which includes an estimated amount of £8.7 billion (£8.9 billion in 2023 to 2024).

HMRC has a number of taxpayer liabilities which have been postponed pending finalisation of enquiries. HMRC undertakes a review of large postponed cases for Corporation Tax to ensure that revenue that meets the revenue recognition criteria, as set out in note 1.2, is recognised in the accounts. As a result, an amount of £3.8 billion (£3.1 billion in 2023 to 2024) has been included in ARR.

As with SA, the filing of CT returns and related payments are subject to a considerable lag and relate to the accounting periods of taxpayers rather than the current taxation period. Since there is less outturn data available, the ARR estimate is subject to uncertainty.

The key drivers of the ARR estimate are outturn CT receipts and returns received to date and a series of assumptions. The assumptions used are needed to estimate the total amount of accrued tax liabilities arising from profits generated in the taxation period and from CT returns that relate to 2024 to 2025 but are not available at the point of estimation. Separate ARR estimates have been calculated for onshore and North Sea oil and gas (offshore) companies because of differences in how these companies operate and, in particular, the number of instalments paid. Further detail can be found below.

Onshore companies

CT for large and very large onshore companies is paid in 4 Quarterly Instalment Payments (QIPs). CT ARR has been estimated where between one and four QIPs have been received using a model that forecasts companies' CT liabilities based on the number and value of QIPs received by a given date.

The key assumptions used in this modelling are the proportion of CT that is paid late and/or overpaid and the proportion of CT liabilities paid in each quarterly instalment. These assumptions are informed by looking at historic trends in outturn data. CT is assumed to accrue evenly throughout the companies' accounting periods.

For accounting periods where no QIPs have been received, ARR has been estimated using OBR's March 2025 Corporation Tax forecast.

As agreed with HM Treasury, Corporation Tax for smaller companies that do not pay by instalment are accounted for on a partial accrual basis, as a reliable ARR estimate for these companies cannot be formed.

North Sea oil and gas companies

North Sea companies pay their CT liabilities in Three Instalment Payments (TIPs). A similar methodology to that of onshore companies is used for calculating the estimate.

However, most TIPs relating to liabilities from 1 January to 31 March are not due in sufficient time to be included in the TIPs estimation model and these amounts are therefore estimated.

This year's estimate is based on the OBR's March 2025 North Sea taxes forecast which shows an increase in receipts between 2024 to 2025 and 2025 to 2026 due to higher oil and gas prices and increased production. This explains the increase in the ARR estimate for North Sea companies in the latest year.

Impact on CT ARR of varying key economic factors

Sensitivity analysis has been produced to demonstrate the impact of changes to key assumptions used in the current estimate and the results are shown in the table below.

Based on recent historic data, changes in key assumptions are likely to fall within the ranges in the table below.

Key assumption (percentage point change)	Increase £bn	Decrease £bn
CT liability growth (+/-10% points)	0.3	(0.3)
Late payments (+/-1% point)	0.2	(0.2)
Overpayments (+/-1% point)	(0.2)	0.2
Proportion of companies' CT liabilities paid with in-year QIPs (+/-1% point)	(0.3)	0.5

4.2.4 Value Added Tax

Value Added Tax (VAT) ARR is £47.3 billion (£46.1 billion in 2023 to 2024) which includes an estimated amount of £5.6 billion (£5.9 billion in 2023 to 2024). A large amount of the VAT ARR is based on actual return data and is not therefore subject to significant estimation uncertainty. Returns submitted in June and July relating to the current reporting period are not available at the time of producing the ARR so an estimate is produced by calculating the value of these returns as a proportion of the total value of the returns in the preceding period last year. Those proportions are then applied to the value of returns for the corresponding period this year.

Impact on VAT ARR of varying key economic factors

Key assumption (percentage point change)	Increase £bn	Decrease £bn
ARR estimate as proportion of total VAT gross revenue (+/- 0.5% points)	1.4	(1.4)

4.3 Impairment of receivables and accrued revenue receivable

	As at 31 March 2025			As at 31 March 2024		
	Impairment of receivables	Impairment of accrued revenue receivable	Total	Impairment of receivables	Impairment of accrued revenue receivable	Total
	£bn	£bn	£bn	£bn	£bn	£bn
Balance as at 1 April	27.6	2.2	29.8	19.2	1.5	20.7
Impairment in-year expenditure	2.6	(0.3)	2.3	8.4	0.7	9.1
Balance as at 31 March	30.2	1.9	32.1	27.6	2.2	29.8

Receivables and accrued revenue receivable (ARR) in the Statement of Financial Position are reported after impairment to reflect an amount that is likely to be collected. This amount is estimated based on HMRC's analysis of existing receivables, debt and ARR collection rates.

4.3.1 Impairment calculation and analysis

The FReM does not require HMRC to determine impairments in accordance with IFRS 9, as the standard relates to financial instruments, and taxes and duties arise from statute and not a contract. However, impairments have been measured applying the simplified expected credit loss (ECL) model set out in IFRS 9.

The ECL model estimates the future recoverability of receivables and ARR based on their age and current debt clearance rates, accepting that the non-payment risk associated with tax debt increases with age.

HMRC has reviewed a number of scenarios and determined that current period clearance rates are reasonable in estimating future recoveries.

The table below provides an age breakdown of the current scenario:

Age	As at 31 March 2025			As at 31 March 2024
	Gross balance	Impairment rate	Impairment	Impairment
	£bn	%	£bn	£bn
Not impaired ¹	1.2	0.0	-	-
Accrued revenue receivable	148.1	1.3	1.9	2.2
Receivables not overdue ²	14.5	4.9	0.7	0.3
Total not overdue	163.8		2.6	2.5
Tax debt less than 1 year overdue	21.5	17.5	3.8	5.4
Tax debt 1 to 2 years overdue	7.1	54.1	3.8	4.4
Tax debt more than 2 years overdue	14.2	85.0	12.1	9.7
Total tax debt³	42.8		19.7	19.5
Receivables under investigation less than 1 year overdue	0.5	17.5	0.1	0.2
Receivables under investigation 1 to 2 years overdue	0.3	54.1	0.1	0.2
Receivables under investigation more than 2 years overdue	0.9	85.0	0.8	0.7
Total receivables under investigation⁴	1.7		1.0	1.1
Receivables unlikely to be collectable⁵	8.8	100.0	8.8	6.7
Total	217.1	14.8	32.1	29.8

1 Items not impaired are predominantly receivables owed from the National Insurance Fund.

2 Receivables not overdue are taxpayer liabilities where the due date has not passed.

3 Tax debt is the amount of tax that is overdue for payment, legally enforceable and collectable.

4 Receivables under investigation are overdue receivables where investigations are being carried out by HMRC.

5 Receivables unlikely to be collectable are awaiting formal write-off action.

The impairment of receivables rate (excluding ARR) is 43.8% in 2024 to 2025 (45.4% in 2023 to 2024). The lower rate is due to increases in receivables not overdue which attracts a lower impairment rate.

The total impairment rate is 14.8% (14.4% in 2023 to 2024). The higher total impairment rate is due to the impairment value increasing at a higher rate than total receivables and ARR, caused by increases in receivables unlikely to be collectable.

Sensitivity analysis

HMRC has produced sensitivity analysis by analysing rates of debt collection and overdue receivables in years of low and high levels of economic uncertainty, to demonstrate the possible outcomes if the impairment scenario were to differ from the current period clearance rates.

Potential impact on the impairment balance

Scenario	Change to impairment balance £bn
Low estimate scenario	(2.6)
High estimate scenario	7.7

The low scenario is based on HMRC debt collection performance during periods of low economic volatility, whilst the high scenario is based on performance during periods of high economic volatility, over the past 6 years. Low economic volatility would increase speed of collection and reduce the impairment by as much as 8.9% (£2.6 billion) across aged debt and amounts not overdue. High economic volatility would reduce the speed of collection and increase the impairment by as much as 24.1% (£7.7 billion).

4.4 Revenue losses

For the year ended 31 March	2025			2024		
	Remissions £m	Write-offs £m	Total £m	Remissions £m	Write-offs £m	Total £m
Income Tax	215	1,137	1,352	144	990	1,134
Value Added Tax	146	2,774	2,920	106	2,518	2,624
Corporation Tax	21	499	520	22	360	382
National Insurance Contributions	60	728	788	34	705	739
Fines and penalties	659	666	1,325	177	421	598
Other remissions and write-offs	109	216	325	84	55	139
Total revenue losses	1,210	6,020	7,230	567	5,049	5,616

Revenue losses are made up of remissions and write-offs. Remissions are debts capable of recovery, but HMRC has decided not to pursue the liability on the grounds of value for money. Write-offs are debts that are considered to be irrecoverable because there is no practical means for pursuing the liability. The vast majority of revenue losses are driven by individual and business insolvencies.

HMRC write off debt from the statement of financial position when a customer is formally declared insolvent. On 31 March 2025, HMRC had £3.3 billion of debt that may go into formal insolvency. Once in formal insolvency, on average the dividend payment HMRC eventually receives is 5 pence in the pound. In 2024 to 2025 we have received £233 million in such dividend payments (£162 million in 2023 to 2024).

For certain taxes, only a partial split between remissions and write-offs is known. Where information is unavailable, the percentage split of the known element is applied to the remainder to calculate a total estimated remission and write-off split.

Taxpayers can satisfy their inheritance tax with certain categories of property rather than cash. HMT set an annual offer limit of £40 million for the amount of tax that can be satisfied by acceptance in lieu. This is treated as a tax loss and is included in other remissions and write-offs, as no revenue will flow to the consolidated fund. For 2024 to 2025, tax satisfied by acceptance in lieu was £50 million, split between £29 million relating to offers made in 2024 to 2025, and £21 million relating to offers made in previous financial years.

Fines and penalties relating to National Insurance Contributions (NICs) are accounted for as NICs revenue losses.

Further information on losses can be found in the section 'Chief Executive's Performance Report, Collecting debt' (page 21)

Revenue losses – cases more than £10 million

For the year ended 31 March 2025, there were 45 cases (31 cases as at 31 March 2024) where the loss exceeded £10 million, totalling £1.9 billion (£1.2 billion as at 31 March 2024). Details are shown below:

There were 39 write-offs relating to insolvency and 3 remissions (28 write-offs as at 31 March 2024) totalling £1.1 billion (£934 million as at 31 March 2024).

There were 3 bulk remissions (3 cases as at 31 March 2024) totalling £839 million (£227 million as at 31 March 2024). Details are shown below:

- Self Assessment penalties of £231 million (£189 million as at 31 March 2024), where it had been identified customers were no longer liable for SA or were no longer self-employed and had ceased to trade.
- Self Assessment outstanding debts of £558 million (nil as at 31 March 2024), where it had been identified customers were no longer self employed and who had ceased to trade in the tax year 2020 to 2021 or earlier and are no longer in the SA regime.
- There was a bulk remission of IHT acceptance in lieu of £50 million, this is treated as a tax loss as explained above.

HMRC decided not to pursue on the ground of value for money for both Self Assessment bulk remissions above.

5. Payables, accrued revenue payable, deferred revenue, and cash and cash equivalents

	As at 31 March 2025				As at 31 March 2024			
	Payables	Accrued revenue payable	Deferred revenue	Total	Payables	Accrued revenue payable	Deferred revenue	Total
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Income Tax	4.9	1.3	–	6.2	5.2	1.3	–	6.5
Value Added Tax	1.6	18.4	–	20.0	1.6	21.4	–	23.0
Corporation Tax	14.0	6.4	0.3	20.7	13.7	4.7	0.2	18.6
National Insurance Contributions	0.8	22.1	–	22.9	0.8	20.8	–	21.6
Other taxes and duties	4.2	0.3	4.0	8.5	2.8	0.2	3.4	6.4
Payments on account	4.2	–	–	4.2	3.1	–	–	3.1
Current liabilities before cash and cash equivalents	29.7	48.5	4.3	82.5	27.2	48.4	3.6	79.2
Cash and cash equivalents	1.3	–	–	1.3	1.1	–	–	1.1
Total current liabilities	31.0	48.5	4.3	83.8	28.3	48.4	3.6	80.3

There are no liabilities in the table above which fall due after one year.

5.1 Payables

Payables are amounts due to customers by HMRC at the end of the reporting period, but for which payment has not been made. Payments on account are taxpayer credit amounts that have not been allocated to a tax charge at the reporting period end date.

5.2 Accrued revenue payable

Accrued revenue payable (ARP) is recognised for:

- amounts due to VAT traders that have an established revenue repayment claim relating to the financial year, but the date the claim is received is after the end of the reporting period. It is necessary to estimate VAT ARP of £2.6 billion as returns submitted in June and July relating to the current financial year are not available at the time of producing the estimate
- amounts of receivables and accrued revenue receivable that when received will be passed to a third-party after adjusting for expenditure, for example National Insurance Contributions due to the National Insurance Funds and National Health Services
- amounts in respect of Corporation Tax, Income Tax and other small taxes likely to be repayable by HMRC pending finalisation of taxpayer liabilities accruing over the taxation period, and for expected Corporation Tax overpayments.

Estimates have been made to support the ARP balances where tax returns reporting taxpayer liabilities or associated tax repayments related to the taxation period are not filed until after the Trust Statement has been published. Each year HMRC reviews the performance of its estimation models. Last year, the ARP overestimation was £0.1 billion, 0.01% of 2023 to 2024 total revenue (ARP underestimation of £1.5 billion in 2022 to 2023, 0.2% of 2022 to 2023 total revenue).

5.3 Deferred revenue

Deferred revenue includes taxes and duties paid in the current year which relate to future accounting periods.

5.4 Cash and cash equivalents

This reflects the net position of cash in HMRC bank accounts and payments that have been authorised for issue but the money has not cleared through the banking system as of 31 March. The balance does not represent an overdraft position.

6. Provision for liabilities and contingent liabilities

Provisions are recognised when HMRC has a present legal or constructive obligation as a result of a past event, it is probable that HMRC will be required to settle that obligation and an amount can be estimated reliably. Separate provisions, in respect of associated legal costs, are recognised in the Resource Accounts.

Contingent liabilities relate to legal cases for which the outcome is uncertain or HMRC consider that there is only a possible rather than probable likelihood that a payment will be required and/or the amount cannot be measured reliably.

Provision for liabilities

	Legal claims	Oil and gas field decommissioning	Total 2025	Total 2024
	£bn	£bn	£bn	£bn
Balance as at 1 April	2.6	5.7	8.3	7.5
Provided in the year	0.9	0.6	1.5	1.9
Provision not required written back	(0.6)	-	(0.6)	(0.2)
Provision utilised in the year	(0.5)	(0.5)	(1.0)	(0.9)
Balance as at 31 March	2.4	5.8	8.2	8.3

Analysis of expected timing of cash flows

	Legal claims	Oil and gas field decommissioning	Total 2025
	£bn	£bn	£bn
Amounts payable within 5 years	2.4	2.5	4.9
Amounts payable after 5 years	-	3.3	3.3
Balance as at 31 March	2.4	5.8	8.2

6.1 Provisions in-year expenditure

	Legal claims	Oil and gas field decommissioning	Total 2025	Total 2024
	£bn	£bn	£bn	£bn
Total provided in the year	0.9	0.6	1.5	1.9
Provision not required written back	(0.6)	-	(0.6)	(0.2)
Net movement increase/(decrease)	0.3	0.6	0.9	1.7

6.2 Legal claims

Provision for liabilities

HMRC is involved in various legal and other disputes, which can lead to claims by taxpayers. Due to the nature of HMRC's business, some of these matters may be litigated over several years.

The department, after consulting legal and other specialists, has established provisions based on the relevant facts and circumstances of each case, in accordance with accounting requirements. However, due to uncertainties in estimating these provisions, the ultimate

liability may differ from the amounts provided. This is dependent on the outcomes of litigation, investigations, and potential settlements.

Provisions were reviewed during 2024 to 2025 and discounting was not applied as it was of immaterial impact.

Contingent liabilities

Contingent liabilities are disclosed at a value made in accordance with a best estimate based on the information available at the end of the reporting period. Those estimates are subject to change and, for some legal cases, are inherently uncertain. Regular review of the contingent liabilities leads to the recognition of new cases where appropriate. Existing cases may also be revalued, recognised as provisions, or removed from the contingent liability disclosures (i.e. where the probability that HMRC will be required to make a payment to settle the liability is now considered to be remote).

As at 31 March 2025, HMRC has 8 cases estimated to have a value of £6.0 billion (compared to 8 cases with an estimated value of £5.4 billion as at 31 March 2024) where the maximum potential tax repayment, before losses, capital allowances and other tax reliefs, is over £100 million. Each case may include a lead case with follower claimants and cover a range of taxes and duties, including Corporation Tax and VAT.

Further claimants may opt to follow a lead case but are not yet known to HMRC or the Courts. Wider adoption claims of this nature are difficult to quantify with sufficient reliability and therefore deemed to fall outside of criteria in the relevant accounting standards. They are not recognised in the Accounts or disclosed in these notes.

6.3 Exchequer liabilities arising from oil and gas infrastructure

There are 2 taxes levied on companies exploring and producing oil and gas from the UK Continental Shelf (UKCS): Petroleum Revenue Tax (PRT) and offshore Corporation Tax (CT), the latter comprising of 3 elements: Ring-fenced Corporation Tax, Supplementary Charge and the Energy Profits Levy.

The legislation governing the losses from decommissioning costs (Oil Taxation Act 1975) allows participators in an oil and gas field liable to PRT to carry-back decommissioning losses almost indefinitely against profits it has previously made from the field, or which previous participators in the field have made. This may result in the repayment of PRT. With respect to offshore CT, the Corporation Tax Act 2010 allows for a company's decommissioning loss to be carried back against its own historical profits dating back to April 2002. Again, this may result in a repayment of offshore CT.

Provision for oil and gas field decommissioning

The provision for tax repayments is an estimate based on the appropriately discounted sum of all forecast decommissioning repayments over the expected lifetime of the North Sea oil and gas fields. Repayment profiles are derived from the output produced by HMRC's North Sea Forecasting Model developed at the individual company and field level. There has been no significant change in the model since last year.

A provision of £5.8 billion has been reported in 2024 to 2025 based on the estimated tax repayments of PRT £1.9 billion (£2.1 billion in 2023 to 2024) and offshore CT £3.9 billion (£3.6 billion in 2023 to 2024) by HMRC to companies over the period to 2067 due to losses from decommissioning expenditure.

The key determinants of the provision estimate are:

- future decommissioning costs from the North Sea Transition Authority's (NSTA) latest UKCS Stewardship Survey,
- oil and gas prices, expenditure and production from the Office for Budget Responsibility (OBR), Department for Energy Security and Net Zero (DESNZ) and NSTA,
- discount rates from HM Treasury, and
- the US Dollar/Sterling exchange rate from the OBR.

There has been a £0.1 billion increase in the overall provision since last year with an increase due to the impact of economic assumptions being largely offset by the utilisation of the provision for 2024 to 2025.

The provision utilised in-year relates to tax repayments in 2024 to 2025 due to decommissioning expenditure.

Uncertainty around the estimate of the provision

There is inherent uncertainty surrounding forecasting oil and gas revenues over 30+ years ahead.

The largest impact on the size of the provision, and biggest source of uncertainty in estimating it, is quantification of future decommissioning costs. Annually, the NSTA estimates the total costs of remaining oil and gas decommissioning for the UKCS, including newly sanctioned projects, and changes to the portfolio of potential, as yet unsanctioned projects.

The provision included in the Trust Statement is calculated using the NSTA's estimate for decommissioning costs (details of the UKCS decommissioning costs will be included in the NSTA Cost & Performance Report 2025 due to be published in Summer 2025). A 10% increase in the decommissioning cost estimate would increase the provision by £0.3 billion. Similarly, a 10% reduction would decrease the provision by £0.3 billion.

A major economic determinant which drives the provision is oil and gas prices. The model has utilised DESNZ long-term projections. Compared to the baseline oil and gas price forecasts a 10% increase (decrease) would decrease (increase) the provision by approximately £0.4 billion (£0.5 billion).

The provision is also impacted by discount rates and foreign exchange rates as follows:

- a) An increase in the discount rate will reduce the present value of the provision. An overall increase in the discount rates of 50 basis points will decrease the overall provision by £0.2 billion. The same decrease in discount rates would increase the provision by £0.3 billion.
- b) As oil prices are denominated in US Dollars, the overall provision is impacted by changes in the US Dollar/Sterling exchange rate. A 10-cent appreciation in the US Dollar gives rise to higher Sterling oil prices resulting in a £0.3 billion decrease in the provision. A 10-cent depreciation of the Dollar results in a £0.2 billion increase in the required provision.

7. Balance on Consolidated Fund Account

Movements on Consolidated Fund account

	2025 £bn	2024 £bn
Balance due to/(due from) Consolidated Fund as at 1 April	88.9	88.7
Net revenue for the Consolidated Fund	680.9	628.3
Less amount paid to Consolidated Fund	(676.8)	(628.1)
Balance due to/(due from) Consolidated Fund Account	93.0	88.9

8. Certificates of tax deposit

Under the Certificate of Tax Deposit (CTD) scheme, HMRC previously accepted deposits from individuals, businesses and trustees liable for certain taxes. The scheme is now closed, details can be found at www.gov.uk/guidance/certificate-of-tax-deposit-scheme. As at 31 March 2025 the value of unclaimed certificates is £12 million (£38 million as at 31 March 2024). HMRC will seek to repay the balance of certificates which remain unclaimed.

9. R.N. Limited

R.N. Limited is a registered company that administers, on behalf of HMRC, the holding of charges securing tax debts owed to HMRC. These tax debts are reflected in the Trust Statement. The company's parent undertaking and controlling party is HMRC.

R.N. Limited also holds on behalf of HMRC, assets that have been assigned to HMRC in settlement of tax debts. These are not recognised in the Trust Statement until realised. There is no designation order requiring R.N. Limited's financial statement to be consolidated within HMRC's Accounts. R.N. Limited's accounts can be viewed at Companies House.

10. Third party assets

The department holds cash and other assets which have been seized in relation to ongoing legal proceedings. These assets do not belong to the department and do not form part of these accounts although, where seized assets are forfeited without legal proceedings, proceeds are recognised as penalty income.

The department holds amounts in relation to businesses operating under the terms of the Northern Ireland (NI) protocol who have registered with HMRC to use the One Stop Shop (OSS) scheme to report and pay VAT due to the EU. This entails the making of payments to HMRC who will then forward any relevant amounts to the EU. The scheme was implemented on 1 July 2021 and covers goods sold from NI to consumers in the EU.

11. Related party transactions

Due to the nature of HMRC's business, we have a large number of transactions, relating to taxation income, with other government departments and other central government bodies. Ministers' interests are declared and maintained through the Register of Members' Interests at the House of Commons and the Register of Lords' Interests at the House of Lords. No Board member, key manager or other related party has undertaken material transactions (i.e. transactions of £0.1 million or more) with the department during the year.

12. Devolved taxes

12.1 Scottish Income Tax

The Scottish Parliament has the power to set and change its own tax rate bands and limits, introduce new ones, and include a zero rate, to all non-savings non-dividend (NSND) Income Tax paid by Scottish taxpayers (Scotland Acts 2012, 2016). These powers were fully effective from 6 April 2017.

Starting from the 2018 to 2019 tax year and continuing up to the 2023 to 2024 tax year there have been 5 Income Tax bands in Scotland with different limits and rates applied to each. From 2024 to 2025 a new Advanced rate band set at 45% was introduced for income between £75,000 and £125,140, bringing the total number of Scottish Income Tax bands to 6. These range from the Starter rate of 19% up to the Top rate of 48%. This means that a Scottish taxpayer can pay a different amount of total Income Tax compared to someone from England and Northern Ireland earning the same amount of income. More information on the Scottish Income Tax rates for the 2024 to 2025 tax year can be found on the GOV.UK website www.gov.uk/scottish-income-tax.

12.2 Welsh rates of Income Tax

The Wales Act 2017 gives the Welsh Parliament the power to set Welsh Rates of Income Tax (WRIT). This allows the Welsh Government to affect the amount of Income Tax that Welsh taxpayers pay and, as a result, the amount that the Welsh Government can spend in Wales. WRIT is calculated on a tax year basis and was introduced with effect from 6 April 2019.

The Welsh rates up to the 2024 to 2025 tax year were set at 10% for each of the tax bands. This means that a Welsh taxpayer paid the same amount of total Income Tax as someone from England and Northern Ireland earning the same amount of income, but for the Welsh taxpayer 10 percentage points of each tax band was owed to the Welsh Government with the remainder owed to the UK Consolidated Fund.

12.3 Scottish and Welsh rate of Income Tax estimates for 2024 to 2025

The provisional estimate of revenue raised in 2024 to 2025 from Scottish Income Tax is £19.0 billion and from Welsh rates of Income Tax it is £3.3 billion.

These figures have been estimated because actual data is unavailable. For example, minimal disclosure has been made to HMRC in respect of SA revenue for the 2024 to 2025 tax year, since the deadline for submitting SA returns online is not until 31 January 2026, and PAYE revenue is not available for taxpayers whose accounts have not been reconciled at the time the estimate has been produced for the Trust Statement. They also include estimates for the impact of budget measures, Gift Aid and other effects, such as broader demographic changes before the amount is apportioned between Scotland, Wales and the remainder of the UK.

The Scottish and Welsh shares of Income Tax liabilities are estimated using a model based on the HMRC Survey of Personal Incomes which reflects data collected in 2022 to 2023. These are also adjusted to take account of the latest 2023 to 2024 Income Tax for the Scottish and Welsh final outturn data. This latter adjustment involves scaling each of the provisional estimates in 2024 to 2025 by the percentage difference between their 2023 to 2024 final outturn data and the underlying methodology's estimates of 2023 to 2024 based on the HMRC Survey of Personal Incomes.

The underlying methodology estimated higher Scottish Income Tax receipts in 2023 to 2024 than the final outturn, therefore, the 2024 to 2025 provisional estimate has been scaled down by a proportionate amount. Conversely, the methodology estimated lower Welsh rates of

Income Tax receipts for 2023 to 2024 than the final outturn and the 2024 to 2025 provisional estimate has been scaled up by a proportionate amount.

Further information on revenue for the tax year 2024 to 2025 that becomes available during 2025 to 2026 will allow refinement of these calculations. Updated figures will be disclosed in the 2025 to 2026 Trust Statement, allowing a final reconciliation for the 2024 to 2025 tax year.

12.4 Scottish and Welsh rates of Income Tax outturn for 2023 to 2024

Provisional estimates for Scottish Income Tax of £17.3 billion and £2.9 billion for Welsh rates of Income Tax were disclosed in last year's accounts. Now that HMRC has established over 95% of the tax liabilities for the year, the final outturn figures for 2023 to 2024 have been calculated as £17.1 billion for Scottish Income Tax and £3.0 billion for Welsh rates of Income Tax.

For full details on the 2023 to 2024 outturn please refer to the HMRC publications released on 10 July 2025 www.gov.uk/government/collections/scottish-and-welsh-income-tax-outturn-statistics. The outturn publications are not subject to NAO audit.

HM Treasury is responsible for ensuring that the proceeds are made available to fund expenditure by the Scottish and Welsh Governments; these transfers are not accounted for in the HMRC Trust Statement.

The costs of collecting and administering are charged to the Scottish and Welsh Governments and accounted for in the Resource Accounts, but these are not individually disclosed due to materiality.

13. Events after the reporting period

There are no reportable events after the reporting period. These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

Accounts direction given by HM Treasury

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 2 OF THE EXCHEQUER AND AUDIT DEPARTMENTS ACT 1921

1. This direction applies to those government departments listed in appendix 2.
2. The Department shall prepare a Trust Statement (“the Statement”) for the financial year ended 31 March 2024 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of Government Financial Reporting Manual (“FReM”) 2024-25.
3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.
4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 11). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer’s Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.
6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament.

8. The Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Kevin Pertaub

Deputy Director, Government Financial Reporting
HM Treasury

19 December 2024

Resource Accounts

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2025

This statement summarises the expenditure incurred and income generated on an accruals basis. Other comprehensive expenditure and income includes changes to the values of non-current assets that cannot yet be recognised as income or expenditure.

Consolidated Statement of Comprehensive Net Expenditure

		2024-25	2023-24
		£m	£m
	Note	Departmental group	Departmental group
Cash items:			
Child Benefit		13,307.1	12,514.4
Corporation tax reliefs	4.1.4	10,123.3	12,049.1
Personal tax credits	4.1.1	2,460.4	7,305.5
Tax-Free Childcare		617.9	635.3
Lifetime ISA		624.4	499.1
Payments in lieu of tax relief and rates		280.3	262.6
Help to Save		45.0	51.7
COVID-19 support schemes ¹		(1.1)	(22.0)
Cost of Living Payment ²		(5.2)	760.0
Staff and related costs		3,535.2	3,551.6
Goods and services		1,535.1	1,545.2
Service charges (contract payments)		137.1	100.0
Other cash expenditure		287.5	266.6
Non-cash items:			
Transfer of personal tax credit receivables to DWP		412.0	166.7
Amortisation	7	470.8	392.3
Depreciation	6, 8.1	142.3	147.4
Personal tax credit provisions	4.1.1, 13	209.3	1.7
Other provisions	13	112.2	(16.0)
Other		104.1	30.1
Total operating expenditure	2	34,397.7	40,241.3
Total operating income	5	(394.1)	(364.5)
Net operating expenditure		34,003.6	39,876.8
Finance income	5	(0.8)	(0.8)
Finance expense		12.7	17.2
Net expenditure for the year		34,015.5	39,893.2
Other comprehensive net expenditure			
Items that will not be reclassified to net operating expenditure:			
Net loss/(gain) on:			
– revaluation of property, plant and equipment		9.9	(9.9)
– revaluation of intangible assets ³		–	(151.1)
– actuarial revaluation of pension scheme		4.7	(6.9)
Total comprehensive expenditure for the year		34,030.1	39,725.3

1 Values represent return of COVID-19 payments.

2 The balance of cost of living payments due from 2023 to 2024, payable in 2024 to 2025, was lower than anticipated. The release of the underutilised accrual has resulted in a credit balance in 2024 to 2025.

3 Intangible assets were not revalued in 2024 to 2025. In agreement with HM Treasury, HMRC has early adopted the 2025 to 2026 FReM change which requires them to be valued at cost.

The notes on pages 231 to 277 form part of these accounts

Consolidated Statement of Financial Position

as at 31 March 2025

This statement presents the financial position of the department. It comprises 3 main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

Consolidated Statement of Financial Position

		2024-25 £m	2023-24 £m
	Note	Departmental group	Departmental group
Non-current assets:			
Intangible assets	7	2,964.4	2,859.4
Trade and other receivables	10	290.4	1,112.4
Right-of-use assets	8.1	948.8	989.4
Property, plant and equipment	6	669.0	717.3
Pension asset	14	3.6	8.5
Total non-current assets		4,876.2	5,687.0
Current assets:			
Trade and other receivables	10	874.9	1,095.6
Cash and cash equivalents	11	68.6	41.0
Total current assets		943.5	1,136.6
Total assets		5,819.7	6,823.6
Current liabilities:			
Trade and other payables	12	(10,822.1)	(10,895.7)
Lease liabilities	8.2	(59.4)	(63.1)
Provisions	13	(367.7)	(22.3)
Total current liabilities		(11,249.2)	(10,981.1)
Total assets less current liabilities		(5,429.5)	(4,157.5)
Non-current liabilities:			
Trade and other payables	12	(2,347.0)	(1,881.5)
Lease liabilities	8.2	(1,130.3)	(1,181.5)
Provisions	13	(75.1)	(108.0)
Total non-current liabilities		(3,552.4)	(3,171.0)
Total assets less total liabilities		(8,981.9)	(7,328.5)
Taxpayers' equity and other reserves:			
General Fund		(9,162.3)	(7,577.0)
Revaluation reserve		180.4	248.5
Total equity		(8,981.9)	(7,328.5)

The notes on pages 231 to 277 form part of these accounts.



John-Paul Marks
Accounting Officer

15 July 2025

Consolidated Statement of Cash Flows

for the year ended 31 March 2025

The Statement of Cash Flows shows the changes in cash and cash equivalents of the department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the department's future public service delivery.

Consolidated Statement of Cash Flows

		2024-25 £m	2023-24 £m
	Note	Departmental group	Departmental group
Cash flows from operating activities			
Net operating expenditure		(34,003.6)	(39,876.8)
Adjustments for non-cash transactions		12,888.3	19,726.4
(Increase)/decrease in trade and other receivables	10	1,042.7	81.7
Less movements in receivables not passing through the Statement of Comprehensive Net Expenditure		14.0	(113.3)
Personal tax credits receivables, adjusted for impairment, transferred to DWP	4.1.2	(412.0)	(166.7)
Increase/(decrease) in trade and other payables	12	391.9	358.7
Capital element of receipts in respect of sub-leases		–	0.1
Less movements in payables not passing through the Statement of Comprehensive Net Expenditure		(27.6)	58.2
Use of provisions	13	(9.0)	(14.7)
Net cash outflow from operating activities		(20,115.3)	(19,946.4)
Cash flows from investing activities			
Additions to property, plant and equipment	6	(65.1)	(70.2)
Less additions to leased property, plant and equipment		1.5	–
Additions to intangible assets	7	(649.7)	(675.7)
Less additions to leased intangible assets		–	5.9
Proceeds of disposal of property, plant and equipment		7.5	0.5
Financing income		0.8	0.8
Net cash outflow from investing activities		(705.0)	(738.7)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		20,686.0	20,591.5
From the National Insurance Fund		257.7	272.0
Capital element of payments in respect of leases and on-Statement of Financial Position PFI contracts		(76.7)	(198.0)
Financing expenditure		(12.7)	(17.2)
Net financing		20,854.3	20,648.3
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		34.0	(36.8)
Payments of amounts due to the Consolidated Fund		(6.4)	(0.8)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		27.6	(37.6)
Cash and cash equivalents at the beginning of the period	11	41.0	78.6
Cash and cash equivalents at the end of the period	11	68.6	41.0

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2025

This statement shows the movement in the year on the different reserves held by the department, analysed into General Fund and Revaluation Reserve. The General Fund represents the total assets less liabilities of the department, to the extent that it is not represented by other reserves and financing items. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure.

Consolidated Statement of Changes in Taxpayers' Equity

	Note	2024-25			2023-24		
		General Fund £m	Revaluation reserve ¹ £m	Taxpayers' equity £m	General Fund £m	Revaluation reserve ¹ £m	Taxpayers' equity £m
Opening Balance		(7,577.0)	248.5	(7,328.5)	(7,733.2)	159.3	(7,573.9)
IFRS 16 adjustment ²		–	–	–	5.9	–	5.9
Net Parliamentary funding – drawn down		20,686.0	–	20,686.0	20,591.5	–	20,591.5
Net Parliamentary funding – deemed ³		35.6	–	35.6	72.3	–	72.3
Funding from Trust Statement ⁴		11,443.2	–	11,443.2	19,053.5	–	19,053.5
National Insurance Fund		278.8	–	278.8	281.4	–	281.4
Supply (payable)/receivable adjustment		(68.7)	–	(68.7)	(35.5)	–	(35.5)
Income payable to the Consolidated Fund		(0.9)	–	(0.9)	(0.8)	–	(0.8)
Net expenditure for the year		(34,015.5)	–	(34,015.5)	(39,893.2)	–	(39,893.2)
Other net comprehensive expenditure:							
Revaluation of property, plant and equipment		–	(9.9)	(9.9)	–	9.9	9.9
Revaluation of intangible assets		–	–	–	–	151.1	151.1
Transfer between reserves		58.2	(58.2)	–	71.8	(71.8)	–
Pension reserve actuarial (losses)/gains		(4.7)	–	(4.7)	6.9	–	6.9
Contributions to Local Government Pension Scheme pension fund by DWP		0.4	–	0.4	0.3	–	0.3
Non-cash charges – auditor's remuneration	2	2.3	–	2.3	2.1	–	2.1
Balance at 31 March		(9,162.3)	180.4	(8,981.9)	(7,577.0)	248.5	(7,328.5)

1 The 31 March 2025 balance comprised £9.1 million in relation to property, plant and equipment assets (31 March 2024 £21.9 million) and £171.3 million in relation to intangible assets (31 March 2024 £226.6 million).

2 This adjustment relates to a 2023 to 2024 refinement in the application of HMRC's IFRS 16 subleasing policy which resulted in an increase in the number of operating subleases and a corresponding reduction in finance subleases (see note 1.10.2).

3 This represents previously drawn down Supply that is available to be spent in the current financial year.

4 Personal tax credits and corporation tax reliefs are funded out of tax receipts from the Trust Statement. Please see the Statement of Revenue, Other Income and Expenditure in the Trust Statement, page 199.

Notes to the departmental Resource Accounts

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements.

1. Statement of accounting policies

1.1 Basis of accounting

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) for the financial year 2024 to 2025 issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Net liabilities shown on the Statement of Financial Position are expected to be met by future funding from the Trust Statement, in respect of the corporation tax reliefs which are the primary element, or voted by Parliament annually through Supply and Appropriation Acts. Given there is no reason to believe the resources required to settle these liabilities will not be forthcoming, the Resource Account has been prepared on a going concern basis.

 **2024 to 2025 FReM:**
www.gov.uk/government/publications/government-financial-reporting-manual-2024-25

Where the FReM permits a choice of accounting policy, HM Revenue and Customs has applied the most appropriate to give a true and fair view.

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment.

1.3 Basis of consolidation

This account consolidates the results of the bodies falling within the departmental boundary as defined by the FReM. For HMRC these are core department and Valuation Office Agency (VOA).

As there are no entities apart from the core department and VOA, these are presented in a single column format as 'Departmental group' throughout the Resource Account and Parliamentary Accountability disclosures.

1.4 Cost of Living Payment

HMRC jointly paid Cost of Living Payments with the Department for Work and Pensions (DWP). Two payments totalling £650 were made in 2022 to 2023, and three payments totalling £900 were made in 2023 to 2024. Payments are made in accordance with the relevant legislation and are recognised in the financial year when payment is due to a customer and approved for payment. An accrual is recognised for payments not made by year end in line with the forecast tax credit award.

1.5 Tax credits

1.5.1 Personal tax credits

Personal tax credits, reported at note 4.1.1, consist of Child Tax Credit and Working Tax Credit. Receivable and payable balances are based on data from tax credits systems and are used to inform the appropriation of revenue from the Trust Statement, where a cash-based disbursements figure is recorded (see note 3.4 on page 209), to these accounts on an accruals accounting basis.

The accrual for personal tax credits is calculated using the actual split of Working Tax Credit and Child Tax Credit payments made in the current year.

Where overpayments of personal tax credits arise, these are not by arrangement and are not credit assessed or loan agreements. Customers are given a certain time to settle the overpayment or enter into an arrangement to pay debt. The debt is considered to be overdue after 30 days. The HMRC business model for managing personal tax credit overpayment debt is to collect the contractual cash flows only, with no intention to sell the debt asset.

Personal tax credit debt is being transferred to DWP as part of the transition to Universal Credit, this is a transfer between government bodies and not a sale of the debt.

As per the FReM, the IFRS 9 simplified approach to impairing assets is used to impair tax credit overpayment debt over the lifetime of the debt. The contractual cash flows are solely repayments of principal debt and therefore the debt is measured at amortised cost.

For personal tax credits receivables, there is not a definition of default due to the nature of the legislation surrounding the recovery of overpayments. Personal tax credits receivables are reported net of losses which are defined and detailed in the Losses statement which is reported in the Parliamentary accountability section on page 166.

Personal tax credits closed on 5 April 2025, with remaining eligible customers moving to Universal Credit, administered by the DWP. Any customers with an outstanding personal tax credits debt will have this transferred to the DWP to be collected via live Universal Credit awards. Any residual debt remaining in HMRC will be collected via usual recovery methods.

1.5.2 Corporation tax reliefs

In the absence of a specific applicable accounting standard, management have determined the following accounting policy for recognising and measuring expenditure on corporation tax reliefs in line with the principles of IFRS.

Expenditure is recognised as companies engaged in qualifying activities incur their qualifying expenditure, not when subsequent claims are received. This provides a consistent recognition point for expenditure and income between these accounts and the HMRC Trust Statement, where the related corporation tax income is recognised as the taxable events occur and not when returns are filed.

Expenditure and related accrual profiles are estimated by the department's statisticians using analysis of historic relief claims and applying forecast growth and uplift assumptions and adjustments made for planned changes in relevant policy and rates. This estimation is required due to the time-lag between the end of companies' accounting periods and the submission of their tax returns. The filing requirements are such that these returns are not due until 12 months after their accounting period end. Additionally, amended claims can be received up to 24 months after their accounting period end.

In subsequent accounting periods the department evaluates any new information available and determines whether previous estimates of expenditure need to be adjusted. A final estimate is made 5 years after initial recognition with the resulting amount considered to be a reasonable proxy for final outturn in the absence of readily available actual outturn values.

All reliefs expenditure is funded by the Trust Statement, this funding being recognised in reserves.

1.6 Child Benefit

Child Benefit payments are made in accordance with relevant legislation, and expenditure is recognised in the month payment becomes due.

Child Benefit expenditure includes amounts paid to taxpayers earning greater than £60,000 per annum and recovered via the High Income Child Benefit Charge. These income tax charges are accounted for in the Trust Statement.

Where under or overpayments are identified, adjustments are made to expenditure, with receivables and payables recognised appropriately. Overpayments are treated as receivables and the department seeks to recover these from future benefit entitlement or through direct repayment.

Child Benefit receivables are reported net of losses as detailed in the losses statement which is reported in the Parliamentary accountability section on page 166. Losses are made up of remissions and write-offs.

1.7 Tax-Free Childcare¹

Tax-Free Childcare expenditure is recognised in the financial year in which the top-up payments are due.

1.8 Lifetime ISA (LISA)¹

LISA expenditure is recognised in HMRC financial statements net of penalties; at the point a claim is paid to the relevant LISA provider.

1.9 Revenue recognition

HMRC complies with IFRS 15 for income streams and recognises revenue when earned.

1.10 Non-current assets

1.10.1 General

Property, furniture, vehicles, IT hardware, software licences and website development costs reported by the core department are capitalised (excluding certain low-value assets).

¹ Payments in respect of Tax-Free Childcare and Lifetime ISA (LISA) are made in accordance with the relevant legislation.

The following thresholds apply:

- Accommodation refurbishments £150,000 (VOA: £15,000)
- Other tangible assets £5,000
- Information technology £5,000
- Software licences £250,000

Where a contract contains a lease with a term of more than 12 months (unless the underlying asset is of low value), a right-of-use asset and a lease liability are recognised, under the lease accounting standard IFRS 16. In accordance with options given within the accounting standard, HMRC has elected not to apply IFRS 16 to leases of intangible assets. These continue to be accounted for under IAS 38.

Non-property assets are valued on a depreciated historical cost basis as a proxy for fair value as they are of low value with short lives.

Assets are stated at cost less accumulated depreciation/amortisation and impairment losses. These are depreciated/amortised at rates calculated to write them down to estimated residual values on a straight-line basis over their useful lives. All intangible assets are assessed to have a finite useful life over which they are amortised. Asset useful lives are normally in the following ranges:

Asset category – property, plant and equipment	Useful economic life
Freehold land	Not depreciated
Leasehold land	Period of the lease
Freehold buildings	50 years
Leased serviced accommodation	Period of the lease
Leased IT assets	Period of the lease
Right-of-use assets	Period of the lease
Accommodation refurbishments	Remainder of the lease to which they relate
Office equipment	5 to 20 years
Computer equipment	4 to 7 years
Vehicles	5 to 8 years
Furniture and fittings	10 to 15 years
Scientific aids	3 to 10 years

Asset category – intangible assets	Useful economic life
Developed computer software	10 years unless known to be otherwise
Software licences	Period of the licence
Website development costs	10 years unless known to be otherwise

Useful Economic Lives are applied based on a reasonable assessment of the period over which an asset is expected to be available to the business. HMRC undertakes a review of asset lives using their specific knowledge and expertise to request what they believe to be an appropriate period of use, both on implementation and annually.

A formal impairment review is undertaken on an annual basis for buildings, accommodation refurbishments, developed computer software assets and intangible assets under construction.

Assets under construction are recorded at cost and are not depreciated or amortised until they are available for use. Once in use they are depreciated and subject to impairment reviews in accordance with the policy applicable to the asset class.

1.10.2 Property, plant and equipment

Property

Freehold property is recognised where the contract in substance transfers a freehold interest in the building to HMRC.

Leases

Like other government bodies, HMRC typically lease properties used for administrative purposes for reasons of efficiency and flexibility. The departmental group also benefits from the lease of vehicles. For other types of assets, the departmental group determines whether to lease or purchase based on value for money considerations, such as whether the underlying asset is required for its entire life or for a more limited period.

Scope and exclusions – the departmental group as lessee

In accordance with IFRS 16 Lease accounting, contracts, or parts of contracts, that convey the right to control the use of an asset for a period, in exchange for consideration, are accounted for as leases. Leases relating to low-value items, where the underlying asset would have a cost of less than £5,000 when new, and those with a term of less than 12 months, are not included.

The lease liability is measured at the present value of the remaining lease payments discounted either by the interest rate implicit in the lease or, where this is not readily determinable, the department's incremental rate of borrowing. This rate is advised annually by HM Treasury, 4.72% for leases recognised to 31 December 2024, 4.81% for leases recognised from 1 January 2025.

Expenditure charged to the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right-of-use asset over the life of the lease, together with any impairment of the right-of-use asset and any change in variable lease payments that was not included in the measurement of the lease payments during the period in which the triggering event occurred.

Finance and operating leases – the departmental group as lessor

Where the department acts as a lessor or intermediate lessor for an asset it has itself leased, the arrangement will be assessed to determine whether it constitutes a finance lease, this being where the risks and rewards incidental to ownership of a right-of-use (RoU) or underlying asset are substantially transferred to the lessee. For these leases the asset is derecognised, and a receivable representing the net interest in the lease is recognised, with accrued interest being treated as income over its life. Where sublease rental income is inclusive of the value of irrecoverable VAT charged on the headlease, the value of the VAT is excluded from the receivable and credited directly to the CSoCNE.

All other leases are treated as operating leases and rental income is recognised in the CSoCNE on a straight-line basis. In 2023 to 2024 HMRC reassessed its accounting treatment where the department acts as lessor and sublets to another government department under a Memorandum of Terms of Occupation (MoTO). Such agreements are not legally enforceable, and the risks and rewards incidental to ownership of an RoU or underlying asset are not deemed to have transferred from the lessor to lessee. Accordingly, all MoTOs under which the department is

lessor are treated as operating leases to reflect the economic and legal substance of the arrangements.

Where a long leasehold for property transfers to HMRC in substance, the contract is not treated as a right-of-use asset in accordance with IFRS 16, the asset is instead recognised as a freehold property.

For Private Finance Initiative (PFI) transactions where the department has control within a contract and a material residual interest, property is recognised as a non-current asset and the liability to pay for it is accounted for as a lease. Contractual payments are apportioned between CSocNE, financing and service charges and a Consolidated Statement of Financial Position lease liability.

The department has also capitalised other PFI property interests as leases being concession arrangements.

Property assets have been stated at current value in existing use using professional valuation on a rolling 5-year programme, all assets will be professionally revalued within this time period. Each year 20% of the estate is physically revalued with the remainder undergoing a desktop revaluation exercise to identify material changes. The basis of the valuation is in accordance with the professional standards of the Royal Institute of Chartered Surveyors: RICS Valuation. Compliance with the RICS professional standards and valuation practice statements gives assurance also of compliance with the International Valuers Standards. For IFRS 16, the cost model is applied as a proxy for fair value as the lease payments are updated to reflect current market pricing.

Information technology

Where applicable, the IT non-current assets recognised by our IT partners and used in providing the IT service to the department have been capitalised as leases and are disclosed at the lower of fair value and the present value of the minimum lease payments, at the inception of the contract.

Assets under construction

Assets under construction are separately reported in note 6. In respect of the HMRC Locations Programme, this includes accommodation refurbishment and furniture assets. Costs are accumulated until the asset is available for use whereupon it is transferred to the relevant asset class and depreciation commences.

1.10.3 Intangibles

A thematic review undertaken by HM Treasury, in consultation with the Financial Reporting Advisory Board (FRAB), has prescribed a revised approach to the subsequent measurement of intangible assets. The changes are set out in the Financial Reporting Manual (FReM) 2025 to 2026.

The option to employ the revaluation model will be withdrawn from 1 April 2025 and the cost model should be employed. Transition requires the carrying values of existing intangible assets, measured under the previous revaluation approach, to be taken forward as a deemed historic cost. International accounting standard (IAS 8) has been adapted so that these changes, and all changes stemming from the thematic review, will be completed prospectively rather than retrospectively.

HMRC has early adopted the change from 2024 to 2025 with agreement from HM Treasury and therefore no revaluation has been applied to intangible assets in year.

Developed computer software

Computer software that has been developed by the department and its IT service partners, and for which the department has ownership rights, has been capitalised. This capitalisation includes the staff costs for developing, integrating and testing IT software.

Software licenses

For a software licence to be identified as a capital asset, it needs to adhere to IAS 38 and HMRC policy. The threshold for the capitalisation of software licences is £250,000. Software licences must also have a life over 12 months, be separately identifiable, (arising from legal rights), under HMRC control and will generate a future economic benefit for HMRC.

Assets under construction

Intangible assets under construction relate to software development by the department and our commercial IT partners. Intangible assets under construction are separately reported in note 7. Costs are accumulated until the asset is available for use whereupon it is transferred to the relevant asset class and amortisation commences.

1.11 Pensions

1.11.1 Civil Service Pension Schemes

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS) known as Alpha, are unfunded and contributory defined benefit schemes. The departmental group recognises the expected cost of these elements. This is determined systematically and rationally over the period during which we benefit from employees' services by payment to the PCSPS and CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and CSOPS. Further information can be found within the accounts of Civil Service Pensions.

+ Civil Service Pensions
www.civilservicepensionscheme.org.uk/about-us/resource-accounts/

1.11.2 Local Government Pension Scheme

A number of the Valuation Office Agency employees are members of London Pensions Fund Authority (LPFA) a Local Government Pension Scheme (LGPS). The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide defined benefit pension scheme designed for people working in local government or for individuals employed by other organisations who have chosen to participate in it.

The Statement of Financial Position includes an LGPS asset, which is the fair value of the scheme assets attributable to the agency minus the present value of the defined benefit obligation to staff.

VOA applies the asset ceiling test per IFRIC 14 in order to calculate how much of the surplus to recognise as an asset, ultimately limiting the value of the asset.

+ Further information can be found within the Valuation Office Agency accounts that can be viewed at www.gov.uk/government/organisations/valuation-office-agency

1.11.3 Partnership pensions

The partnership pension account is a stakeholder pension arrangement with employees able to choose a stakeholder pension product from a panel of providers. The partnership pension account is a defined contribution scheme, provided as an alternative option for members who do not wish to join one of our defined benefit arrangements.

1.12 Provisions and Contingent liabilities

The department discloses provisions and contingent liabilities in excess of the de minimis limit for reporting of £0.1 million.

We recognise provisions in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets. The expenditure required to settle the obligation is calculated based on the best available information.

Where the time value of money is significant, provisions and contingent liabilities are stated at discounted amounts, as directed by revised Public Expenditure System (PES) (2024) 09.

1.13 Value Added Tax (VAT)

Most of the activities of the department are outside the scope of VAT. A proportion of the activities of the department will attract VAT, and output VAT will apply in these circumstances. The department also has recoverable and non-recoverable elements for input VAT on purchases. Some purchase VAT on a restricted number of services is recovered under Section 41 of the VAT Act 1994 and in accordance with the HM Treasury 'Contracting-out Direction'. Section 41 is intended to remove any disincentive to government departments of contracting-out activities performed 'in-house' where there is a sound basis for doing so. Non-recoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Income and expenditure is otherwise shown net of VAT.

1.14 Critical accounting judgements and key sources of estimation

The preparation of financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the department's accounting policies.

The areas that involve a higher degree of judgement or complexity, or where the assumptions and estimates are significant to the Resource Accounts, are as follows:

Corporation tax reliefs expenditure

The accounting policy for corporation tax reliefs is a judgement in the context of these accounts because management has determined an appropriate policy for recognition and measurement in the absence of a specific accounting standard. In adopting the current policy, we have selected a recognition point that maintains consistency between relief expenditure recognised in these accounts and the related corporation tax income recognised in the Trust Statement.

Expenditure is recognised for corporation tax reliefs in advance of claims being received because of the timing difference between when qualifying expenditure is incurred by companies and when they make claims. Estimation uncertainty results from this timing difference because assumptions about qualifying expenditure need to be made based on historic experience, forecast growth rates, and planned changes in relevant tax policy and rates.

The key assumptions in the estimates for corporation tax reliefs are:

- the proportion of company tax returns for the latest year's outturn data used in the estimate that have not been received or processed at the time the data extract is taken for the estimate (referred to as the "uplift factor")
- the forecast growth rate

Note 4.1.4 provides further detail on the estimation uncertainty relating to corporation tax reliefs.

Impairment of receivables

Receivables in the Statement of Financial Position are reported after impairment, which is estimated based on our analysis of existing receivables and historical trends in debt recovery, losses, discharges, amendments, and cancellations. In accordance with the FReM and IFRS 9, HMRC account for impairments for tax credits and benefits arising from statute and not a contract. However, to the extent applicable and feasible, impairment of receivables has been calculated in accordance with this standard.

The following receivables balances have been impaired: personal tax credits, Child Benefit, law costs, and other receivables (see note 9).

To calculate the impairment for personal tax credits receivables we use an expected credit losses (ECL) model that estimates future debt recoverability of personal tax credits debt based on historic debt recovery rates.

The main judgements that we have made when producing the ECL model are:

- Future debt recoverability used in our scenario analysis is informed from recoverability of debts we have seen in recent years
- the transfer of debt to DWP affects debt movements and it is therefore necessary to assess the effect of HMRC debt recovery efficiency in isolation from the effect of the transfer to DWP.
- external future economic developments will not significantly affect recovery rates
- the discount rate applied to future recoveries is 2.15%, in accordance with Public Expenditure System papers published for government by HM Treasury
- the consideration of the following 3 debt scenarios:
 - the upper scenario considers the average ppt change in the past 3 years debt recoverability rates, adds this change onto the last complete year's debt recoverability rate, and applies that rate to future debt stocks
 - the middle (base) scenario takes the last complete year's debt recoverability rate and applies that to future debt stocks
 - the lower scenario considers the average ppt change in the past 3 years debt recoverability rates, minuses half of this change from the last complete year's debt recoverability rate, and applies that rate to future debt stocks

The model assumes the upper and lower recovery scenarios will occur with a 25% and a 5% likelihood respectively and the base scenario with a 70% likelihood.

Provisions and contingent liabilities

The department undertakes a quarterly review of provisions and contingent liabilities. These are estimated by appropriate business areas based on the likelihood of a liability materialising.

1.15 Impending application of newly issued accounting standards not yet effective

New and revised standards and interpretations have been issued but are not yet effective and have not therefore been adopted in this account.

IFRS 17 – Insurance contracts

IFRS 17 Insurance Contracts replaces IFRS 4 and represents a fundamental change to the accounting, presentation, and disclosure of insurance contracts. It introduces a comprehensive framework that incorporates significant judgment and estimation techniques in the measurement and reporting of liabilities.

HMRC will adopt IFRS 17 as interpreted and adapted in the Financial Reporting Manual (FReM), with effect from 1 April 2025, in line with HM Treasury's mandatory application by government departments and agencies.

HM Treasury has mandated that IFRS 17 be implemented retrospectively where possible or using the fair value approach for contracts where full retrospective application is impracticable. Therefore, at the date of initial application, HMRC will recognise the cumulative effect of initially applying IFRS 17 as an adjustment to the opening balance of taxpayers' equity.

HMRC have conducted a qualitative and quantitative initial review of contracts and contingent liabilities and do not consider implementation of IFRS 17 to have material impact to these Resource Accounts.

IFRS 18 – Presentation and Disclosure of Financial Statements

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 19 – Subsidiary without Public Accountability

The objective of IFRS 19 is to specify the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.

IFRS 18 and IFRS 19 become effective from 1 January 2027. However, they have not yet been endorsed by the UK Endorsement Board (UKEB) and have not yet been considered by the Financial Reporting Board (FRAB). HMRC will consider impacts of implementing these standards once endorsed by UKEB and FRAB.

2. Expenditure

		2024-25 £m	2023-24 £m
	Note	Departmental group	Departmental group
Personal tax credits¹	4.1.1	2,460.4	7,305.5
Corporation tax reliefs	4.1.4	10,123.3	12,049.1
Child Benefit			
Child Benefit ²		13,302.8	12,510.2
Guardian's Allowance (funded from National Insurance Fund)		4.3	4.2
		13,307.1	12,514.4
Cost of Living Payment³		(5.2)	760.0
Tax-Free Childcare		617.9	635.3
Lifetime ISA		624.4	499.1
Help to Save		45.0	51.7
COVID-19 support schemes⁴		(1.1)	(22.0)
Staff and related costs	p.144		
Wages and salaries		2,520.8	2,611.2
Pension costs		721.7	654.6
<i>Less capitalised costs</i>		(62.5)	(69.5)
Social security costs		283.7	282.4
Travel, subsistence and hospitality		44.7	40.4
Recruitment and training		26.9	28.7
Early severance schemes ⁵		(0.1)	3.8
		3,535.2	3,551.6
Service charges			
Contract payments		137.1	100.0
Interest charges		12.7	17.2
		149.8	117.2
Goods and services			
IT services and consumables		1,017.4	1,011.7
Contracted out services		286.0	322.7
Printing, postage, stationery and office supplies		65.9	63.9
Legal and investigation		61.9	46.2
Enforcement costs		34.2	37.8
Telephone expenses		46.0	26.9
Other goods and services		23.4	22.0
Consultancy		0.3	14.0
		1,535.1	1,545.2
Payments in lieu of tax relief and rates		280.3	262.6

		2024-25 £m	2023-24 £m
	Note	Departmental group	Departmental group
Other cash expenditure			
Accommodation expenses		166.6	176.4
Operating leases		25.5	19.8
Payments to add capacity		0.2	0.1
NIF collection service on behalf of other government departments		51.0	51.1
Losses and special payments (excluding Child Benefit, tax credits & COVID-19 support schemes)		7.7	3.2
Other		36.5	16.0
		287.5	266.6
Non-cash items:			
Amortisation, depreciation and impairments			
Amortisation	7	470.8	392.3
Depreciation	6, 8.1	142.3	147.4
Loss on impairment of non-current assets		98.2	14.5
		711.3	554.2
Provisions for liabilities and charges¹	13	321.5	(14.3)
Other non-cash			
Transfer of personal tax credits receivables to DWP		412.0	166.7
Auditors' fee ⁶		2.3	2.1
Other		3.6	13.5
		417.9	182.3
Total non-cash items		1,450.7	722.2
Total expenditure		34,410.4	40,258.5

1 Personal tax credits (PTC) expenditure reported in note 4.1.1 has reduced in 2024 to 2025 due to the closure of PTC. In 2024 to 2025 expenditure is increased by a net provision of £209.3 million (provision increase of £210.0 million, see note 13.2, less provision write back of £0.7 million).

2 Child Benefit expenditure includes amounts paid to claimants or their partners with net adjusted incomes of more than £60,000 per annum in the 2024 to 2025 financial year, who were subject to the High Income Child Benefit Charge (HICBC). It is estimated that £271 million of HICBC liabilities relating to 2024 to 2025 will be paid in this and subsequent years. These income tax charges are accounted for in the Trust Statement. The equivalent estimate for 2023 to 2024, when the HICBC threshold was £50,000 per annum, has been revised from £560 million to £602 million. The significant fall in liabilities in 2024 to 2025 reflects the Spring Budget 2024 policy change, which increased the threshold from £50,000 to £60,000 from April 2024 and introduced a more gradual taper ending at £80,000.

3 The balance of cost of living payments due from 2023 to 2024, payable in 2024 to 2025, was lower than anticipated. The release of the underutilised accrual has resulted in a credit balance in 2024 to 2025.

4 Negative values represent return of COVID-19 payments.

5 Early severance payments due from 2023 to 2024, payable in 2024 to 2025, were lower than anticipated. The release of the underutilised accrual has resulted in a credit balance in 2024 to 2025.

6 The NAO did not undertake any work of a non-audit nature during the period.

3. Statement of operating expenditure by operating segment

This note shows how resource expenditure is apportioned against the main areas of core business activity.

Each segment relates to a core business activity reported to the Chief Executive and the Board. This management information covers expenditure and income and is used by the Board to inform decisions.

In line with the requirements of IFRS 8, prior year comparatives have been restated to reflect organisational changes.

3.1 Expenditure and income by reportable segment

Reportable segment	2024-25 £m Departmental group			2023-24 £m Departmental group		
	Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure
Customer Compliance	1,734.8	79.0	1,655.8	1,670.0	74.1	1,595.9
Chief Digital and Information Officer Group	1,032.0	87.1	944.9	1,096.9	71.1	1,025.8
Customer Services	1,016.7	59.0	957.7	1,021.2	58.9	962.3
Chief Finance Officer Group	429.1	96.5	332.6	424.1	119.5	304.6
Borders and Trade	311.6	30.7	280.9	336.9	14.0	322.9
Change Delivery Group ¹	258.3	9.7	248.6	249.4	1.4	248.0
Customer Strategy and Tax Design	229.0	11.0	218.0	226.4	7.5	218.9
Chief People Officer Group	112.6	7.5	105.1	110.2	7.2	103.0
Corporately managed	110.0	0.3	109.7	45.0	1.7	43.3
Solicitors Office and Legal Services	110.0	10.8	99.2	102.4	8.4	94.0
Enterprise Transformation Group ²	49.7	0.7	49.0	-	-	-
Communications	39.2	0.1	39.1	22.7	0.1	22.6
Chief Executive Office	2.5	-	2.5	2.5	-	2.5
Valuation Office Agency	263.2	61.1	202.1	242.7	58.4	184.3
Total	5,698.7	453.5	5,245.2	5,550.4	422.3	5,128.1

1 Change Delivery Group was previously named Transformation Group.

2 Enterprise Transformation Group is a new line of business introduced this year.

3.2 Reconciliation between operating segments and Consolidated Statement of Comprehensive Net Expenditure

Information on all other net expenditure is included in the table below. This information is reported to the Board, however, as it is centrally managed it is reported in a different format than the reportable segments in the management accounts which compares budgeted spend to full year forecast spend at the segment level.

Reconciliation between operating segments and Consolidated Statement of Comprehensive Net Expenditure

	2024-25 £m	2023-24 £m
Total net expenditure reported for operating segments	5,245.2	5,128.1
COVID-19 support schemes	(1.1)	(22.0)
Cost of Living Support	(5.2)	760.0
Personal tax credits	2,669.7	7,307.2
Child Benefit and Child Trust Fund	13,307.1	12,514.4
Corporation tax reliefs	10,123.3	12,049.1
Lifetime ISA	624.4	499.1
Depreciation/Amortisation/Impairment	701.8	546.3
Transfer of personal tax credits receivables to DWP	412.0	166.7
Tax-Free Childcare	617.9	635.3
Help to Save	45.0	51.7
Payments in lieu of tax relief	192.6	173.6
Payments of Local Authority Rates	82.8	83.7
Net Expenditure in Statement of Comprehensive Net Expenditure	34,015.5	39,893.2

4. Tax credits, Child Benefit and Tax-Free Childcare

4.1 Tax credits

Since the 2011 to 2012 financial year, personal tax credits (PTC) expenditure and certain corporation tax reliefs have been reported in these accounts. PTC closed on 5 April 2025, with remaining eligible customers moving to Universal Credit, administered by the Department for Work and Pensions. Tax credits can comprise of both an element that is treated as negative taxation, being the extent to which the relief is less than or equal to the recipient's tax liability, and an element that is more than the tax liability, being a payment of entitlement. Only those credits whose design allows the inclusion of a payment of entitlement are reported in these accounts.

4.1.1 Analysis of personal tax credits expenditure

PTC consists of Child Tax Credit and Working Tax Credit. The apportionment of expenditure between Child Tax Credit and Working Tax Credit shown in the table below is estimated.

Awards are assessed and paid throughout the financial year on a provisional basis, based on claimants' assessments of their personal circumstances.

Claims are adjusted after the end of each award year, once claimants' actual circumstances are known, this is called Finalisation. Finalisation may give rise to under or overpayments which are accounted for as soon as identified. Finalisation is not complete until after the Resource Account has been published, consequently there is uncertainty around the level of adjustments likely to arise.

Please refer to note 1.5.1 for details concerning the closure of PTC.

Analysis of personal tax credits expenditure

	2024-25 £m			2023-24 £m		
	Child Tax Credit	Working Tax Credit	Total tax credits	Child Tax Credit	Working Tax Credit	Total tax credits
Tax credits	1,577.4	415.4	1,992.8	5,894.8	1,543.3	7,438.1
Movement in impairment of receivables	250.4	66.0	316.4	(383.2)	(100.3)	(483.5)
Remissions/write-offs	240.5	120.0	360.5	225.7	126.9	352.6
Total personal tax credits	2,068.3	601.4	2,669.7	5,737.3	1,569.9	7,307.2

+ Further information on the operation of personal tax credits can be found at www.gov.uk/government/organisations/hm-revenue-customs

4.1.2 Personal tax credits receivables

Where under or overpayments are identified, either during the award year or subsequently, adjustments are made to expenditure. Overpayments are treated as receivables, and the department seeks to recover these through direct repayment.

The Department for Work and Pensions (DWP) has responsibility for recovering PTC debt for customers who have made a claim to Universal Credit (UC). DWP is also responsible for taking on the debt of customers who have fallen out of the tax credits regime and for whom a direct earnings attachment can be used to recover the debt. HMRC started to transfer this debt in 2019 to 2020. In line with the Financial Reporting Manual (FReM), debt transfers are treated as capital grants in kind in the Financial Statements. The debt stock is impaired consistently with IFRS 9 (Financial Instruments) and in line with HMRC policy.

Personal tax credits receivables

	Note	2024-25 £m	2023-24 £m
			£m
Receivables as at 1 April		2,290.0	2,963.2
Adjustment to prior year finalisation estimate		(41.1)	98.6
Estimated overpayment of awards prior to finalisation		0.4	86.0
Overpayments identified from change of circumstances in year		342.2	304.2
Transferred to DWP ¹		(609.7)	(309.9)
Recoveries made		(285.6)	(499.5)
Remissions/write-offs		(360.5)	(352.6)
Receivables as at 31 March		1,335.7	2,290.0
Impairment as at 1 April		742.6	1,369.5
– Transferred to DWP ¹		(197.7)	(143.2)
– Movement in impairment		316.4	(483.6)
Impairment at 31 March		861.3	742.7
Net receivables at 31 March		474.4	1,547.3
Of which:			
Amounts expected to be recovered within one year	10	183.9	434.9
Amounts expected to be recovered in more than one year	10	290.4	1,112.4
Total		474.3	1,547.3
1 Summary of receivables transferred to DWP.			
Gross receivables		609.7	309.9
Impairments		(197.7)	(143.2)
Net receivables transferred to DWP		412.0	166.7

Personal tax credits expected credit loss (ECL)

HMRC routinely assess likely recovery of debts, accepting that the individual credit risk associated with these debts increases as they age. However, the credit risk itself is not routinely assessed because the debts relate to overpayments made to benefit claimants, and not to lending through formal arrangements.

As simple financial instruments, under IFRS 9 the debts are impaired over their lifetime as required under the FReM (chapter 8.2, table 2, interpretation 6).

The credit loss we recognise is the difference between the cash flows that are due to HMRC, in accordance with our contractual relationship with our customers, and the cash flows that we expect to receive. The main data inputs to the model are historic monthly stocks and flows recoveries of debt.

The key assumptions/judgements included in the ECL model are included in note 1.14.

HMRC have explored possible correlations between the Average Earnings Index and Consumer Price Index and direct recovery of PTC debt. After testing, no robust relationships were found between these economic determinants and debt recovery, therefore forecasts of future economic conditions are not included in our ECL model. We therefore consider historic recovery experience to be a suitable proxy for future debt recovery.

The impairment rate has increased compared to prior years due to transfer of recoverable debt to DWP and the fact that HMRC can no longer recover debt from ongoing live awards.

The table below provides a summary of the impairment information:

	Gross receivable £m	Impairment £m	Net receivable £m
Total HMRC debt	1,335.7	861.3	474.4
of which debt less than one year old	48.3	30.2	18.1
of which debt more than one but less than 5 years old	401.0	257.3	143.7
of which debt more than 5 but less than 10 years old	348.7	222.1	126.6
of which debt more than 10 years old	537.7	351.7	186.0

Sensitivity analysis

There is a significant degree of uncertainty around the assumptions that underpin the ECL model. The sensitivity analysis below provides an indication of the impact on the impairment estimate if key assumptions were to change.

Scenario	Change to impairment as a percentage of gross receivables	Change to impairment £m
The upper recovery scenario was applied to 100% of the debt stock (as opposed to 10%).	-2%	(32.0)
The lower recovery scenario was applied to 100% of the debt stock (as opposed to 10%).	3%	35.0

Personal tax credits finalisation

Due to the closure of PTC on 5 April 2025, most customers have transferred over to Universal Credit administered by the DWP. Therefore, the estimated overpayment of awards relating to finalisation is immaterial to the level that sensitivity analysis is not relevant for this year.

4.1.3 Personal tax credits error and fraud

Error and fraud in personal tax credits (PTC E&F) was previously estimated by the tax credits Error and Fraud Analytical Programme (EFAP); a stratified random sample of tax credits awards was investigated by HMRC compliance officers to identify error and fraud in favour of the claimant or HMRC. From tax year 2022 to 2023, HMRC ceased the tax credits EFAP random enquiry in line with the planned closure of PTC. HMRC uses a projection methodology based on 5 previous years of data from EFAP to produce PTC E&F estimates for the remaining duration of PTC.

The projection methodology breaks down the PTC population into 10 distinct groups and calculates the average E&F rate for each group from historic E&F data from EFAP. The categories used to create the 10 group combinations are listed below:

- Out of Work Child Tax Credits, no self-employment, single claim
- Out of Work Child Tax Credits, no self-employment, joint claim
- In Work Working Tax Credits and Child Tax Credits, with self-employment, single claim
- In Work Working Tax Credits and Child Tax Credits, with self-employment, joint claim
- In Work Working Tax Credits and Child Tax Credits, no self-employment, single claim
- In Work Working Tax Credits and Child Tax Credits, no self-employment, joint claim
- Working Tax Credits only, with self-employment, single claim
- Working Tax Credits only, with self-employment, joint claim
- Working Tax Credits only, no self-employment, single claim
- Working Tax Credits only, no self-employment, joint claim

Calculated E&F rates for each of these groups are applied to the relevant entitlement forecast for the group and then summed to give the central estimate of the total value of E&F. This value can then be expressed as a percentage of total forecast entitlement for the tax year to give the central E&F rate. As the historical E&F rates for each group are based on a random sample, there is uncertainty associated with the estimate. A 95% confidence interval has been calculated using the standard error for the historic E&F data for each group.

The central claimant favour E&F rate for tax year 2024 to 2025 is 4.2% of total PTC entitlement, with a 95% confidence interval of 4.0% to 4.5%. This equates to £85 million. The HMRC favour error rate for 2024 to 2025 is 0.8% (0.6% to 0.9%), or £15 million.

Estimated value of personal tax credits error and fraud and as a percentage of final award value

	2024-25 awards £m			2023-24 awards £m		
	Lower bound	Central estimate	Upper bound	Lower bound	Central estimate	Upper bound
Overpayments to claimants	80 (4.0%)	85 (4.2%)	90 (4.5%)	335 (4.4%)	365 (4.7%)	385 (5.0%)
Underpayments to claimants	13 (0.6%)	15 (0.8%)	17 (0.9%)	50 (0.7%)	60 (0.8%)	70 (0.9%)

Although not a statistically significant decrease from the 2023 to 2024 estimate of 4.7%, the change in the claimant favour central estimate is likely to be due to a large proportion of higher risk awards leaving the tax credits population between 2023 to 2024 and 2024 to 2025.

4.1.4 Corporation tax reliefs

In certain circumstances, companies are permitted to reduce their tax liability by making a claim for corporation tax reliefs. To be entitled to these reliefs, a company must be undertaking specific activities and meet the criteria set out for that relief. The corporation tax reliefs reported in these Resource Accounts are reliefs where there is or could be, by their design, a payable element that is in excess of any negative taxation. Other corporation tax reliefs are included in the Trust Statement.

Corporation tax reliefs

		2024-25 £m	2023-24 £m
Research and development:	Research and development expenditure credits (RDEC) ¹	4,686.0	4,893.3
	Small and Medium-sized Enterprises (SME) scheme ²	2,963.7	4,547.6
Creative industries:	High-end Television Tax Relief	817.8	1,212.4
	Audio-Visual and Video Games Expenditure Credits	626.1	119.5
	Film Tax Relief	290.8	580.9
	Video Games Tax Relief	243.2	307.4
	Theatre Tax Relief	233.5	206.3
	Independent Film Tax Relief ³	95.2	-
	Orchestra Tax Relief	44.3	47.4
	Museums and Galleries Exhibition Tax Relief	38.3	14.6
	Animation Tax Relief	17.0	22.3
	Children's Television Tax Relief	6.7	40.6
Land Remediation Relief		60.5	56.1
Enhanced Capital Allowance		0.2	0.7
Total		10,123.3	12,049.1

1 Includes merged (large) (£469 million). This will replace RDEC in 2025 to 2026.

2 Includes SME intensives (£1,134 million) and merged (SME) (£125 million). These will replace the SME scheme in 2025 to 2026.

3 Relief introduced in 2024 to 2025.

In accordance with our accounting policy set out in note 1.5.2, of the expenditure reported in 2024 to 2025 above, £(281.0) million relates to our final estimate for 2019 to 2020.

Expenditure relating to 2019 to 2020:

	Estimate reported in historic Resource Accounts (£m)	Final estimate (£m)	Included in value reported in these accounts (£m)
Research and development SME	4,412.6	4,182.5	(230.1)
Research and development RDEC	2,984.3	2,708.7	(275.6)
Creative industries	1,201.4	1,428.8	227.4
Land Remediation Relief	41.5	38.6	(2.9)
Enhanced Capital Allowances	0.1	0.3	0.2
Total	8,639.9	8,358.9	(281.0)

Corporation tax reliefs expenditure and related accruals are estimated using analysis of historic relief claims and applying forecast growth and uplift assumptions, and adjustments made for planned changes in relevant policy and rates, by the department's statisticians. An estimate is required due to the time-lag between the end of companies' accounting periods and the submission of their company tax returns (as explained in note 1.5.2). The settled values for 2019 to 2020 are reported in 2024 to 2025.

Research and development tax relief uplifts and growth assumptions

The cut-off date for data used in the research and development tax relief estimate for the financial year 2024 to 2025 were claims for the 2023 to 2024 financial year processed by 31 January 2025. The percentage uplift factor applied for claims not received at the cut-off date is:

- R&D SME claims: for negative taxation element 66.0%; for payment element 24.0%
- R&D Expenditure Credit (RDEC) claims: 49.0%

The forecast growth assumption used for the 2024 to 2025 R&D reliefs estimates are:

- R&D expenditure on which RDEC is claimed, will grow by 3.5% in 2024 to 2025, calculated as the Office for Budget Responsibility's International Chamber of Commerce economic determinant for business investment (the 'ICC' determinant)
- R&D expenditure on which R&D SME relief is claimed will increase by 13.2% in 2024 to 2025. This is a combined impact of growth in line with the OBR ICC investment determinant of 3.5% and a reduction in the size of downward adjustment applied to account for the reduction in R&D claims since the implementation of the R&D Additional Information Form (AIF), which is estimated to be smaller in 2024 to 2025 than 2023 to 2024. To model the impact of the AIF, first a counterfactual estimate of R&D expenditure is produced which excludes the observed impact of the AIF from outturn data. The counterfactual expenditure is grown in line with the ICC determinant as described above, and reduced by 10.0% to represent the impact of the AIF in reducing claims for R&D. This assumption has been agreed with the OBR as part of their fiscal event forecasts.

Changes between 2023 to 2024 and 2024 to 2025

The overall estimated cost of CT reliefs has decreased, mainly due to changes in the R&D stability adjustment between 2023 to 2024 and 2024 to 2025. Excluding the impact of stability adjustments, there has been a slight increase in the cost of the RDEC scheme while the cost of the SME scheme has not changed substantially. R&D claims relating to the 2024 to 2025 year are fully affected by recent changes to the rates of relief available for R&D claims, which previously only partially impacted claims relating to the 2023 to 2024 year. The RDEC rate was

increased from 13% to 20%, while the SME additional deduction rate was reduced from 130% to 86% and the SME credit rate fell from 14.5% to 10%.

The value of High-end TV relief is projected to fall in relation to the 2024 to 2025 year due to lower levels of expenditure in High-end TV shows in the UK in recent years. This is partly due to a correction from a peak in investment owing to backlog of productions that were delayed due to COVID-19, as well as the WRA and SAG-AFTRA strikes between July and November 2023 which affected the production of many TV shows. Typically, there is a lag between reported production expenditure in the UK and the resulting impact on the creative industry tax reliefs.

Audio-Visual Expenditure Credits (AVEC) and Video Game Expenditure Credits (VGEC) were introduced in 2024 and will replace the legacy reliefs for High-end TV, Film, Animation, Children's TV and Video Games by 2027. The value of claims for AVEC and VGEC is projected to increase substantially in the 2024 to 2025 year, representing increased take-up of AVEC and VGEC over the legacy reliefs, resulting in a corresponding decrease in claims for the legacy schemes.

Sensitivity analysis

Sensitivity analysis has been applied to understand the degree of uncertainty in the estimates if the key assumptions were to change. The range estimates set out in the table below are based on judgments of the levels of uncertainty, and it is possible actual values may exceed them.

Change to key assumption:	Change in assumption	Variation £m	Change in assumption	Variation £m
R&D SME uplift for 2023 to 2024 vary by up to 11.0% ¹	Increase by 11.0%	267	Decrease by 11.0%;	(267)
RDEC uplift for 2023 to 2024 varies by up to 18.0% ²	Increase by 18.0%	593	Decrease by 18.0%	(593)
R&D SME expenditure growth in 2024 to 2025 varies by up to +5.0%/-5.0% ³	Increase by 5.0%	155	Decrease by 5.0%	(155)
RDEC expenditure growth in 2024 to 2025 varies by up to +5.0%/-5.0% ³	Increase by 5.0%	240	Decrease by 5.0%	(240)
R&D SME additional information form impact varies by up to +5.0%/-5.0% ⁴	Increase by 5.0%	225	Decrease by 5.0%	(132)

1 For the R&D SME uplift factors, the change to the key assumption is based on maximum variations seen in recent years, based on a 31 January cut-off date for data.

2 For the R&D RDEC uplift factor, the change to the key assumption is based on maximum variations seen in recent years between the actual increase and the uplift assumption.

3 For the R&D SME/RDEC expenditure growth, the increase and decrease use a flat rate of + 5.0%/-5.0%. Previously, these levels were based on the highest and lowest growth levels observed in the previous 3 years. However, due to the large increases and decreases seen over the COVID period, these produced extreme scenarios.

4 For the SME additional information form impact, the increase and decrease is equal to 5% above or below the average impact observed in previous years. This results in an asymmetrical best vs worst case scenario, as the average growth rate (-8.7%) is higher than the assumption used in the forecast model (-10%).

Creative industries reliefs assumptions

The key assumptions underpinning the creative industries reliefs are similar to those used for R&D relief. For High-end Television Tax Relief, Film Tax Relief, Video Games Tax Relief and AVEC/VGEC claims relating to these industries the cut-off date used for data was returns received by 3 March 2025. These represent the 3 biggest creative industries by value of relief. For the other creative industries tax reliefs, we have used outturn data extracted by 31 May 2024.

The forecast growth rate assumptions used for the financial year 2024 to 2025 are:

- Film Tax Relief (including independent film) and High-end Television Tax Relief will grow in line with a bespoke growth rate calculated using British Film Industry data.
- Video Games Tax Relief, Animation Tax Relief and Children's TV Tax Relief will grow in line with the OBR nominal GDP determinant.
- Theatre Tax Relief, Orchestra Tax Relief and Museum and Galleries Exhibition Tax Relief expenditure is forecast to be the estimated expenditure for the financial year 2019 to 2020 (pre-COVID-19) increased annually by the OBR nominal GDP determinant per year, before making an adjustment for the estimated impact of the increase in the rate of these reliefs which commenced on 27 October 2021.
- Audio-Visual and Video Games Expenditure Credits replace the Film, High-end TV, Children's TV, Animated TV and Video Game tax reliefs. Their overall value is forecast based on the growth rates used for each of those reliefs, and rates of uptake of the schemes. The uptake assumptions were agreed with the OBR when estimating the impacts of implementing AVEC and VGEC and represent claims transitioning from the old-style reliefs to AVEC and VGEC.

For High-end Television Tax Relief and Audio-Visual and Video Games Expenditure Credits, the 2 largest creative industries reliefs, sensitivity analysis has been applied to understand the degree of uncertainty in the estimates if the key assumptions underpinning them were to change. The range estimates set out in the table below are based on judgments of the levels of uncertainty, and it is possible that actual values may exceed them. Sensitivity analysis is not included for other creative industries reliefs – these have a smaller estimate, and their range is expected to be immaterial.

Change to key assumption:	Change in assumption	Variation £m	Change in assumption	Variation £m
High-end Television Tax Relief expenditure growth in 2024 to 2025 varies by up to +3.0%/-3.0% ¹	Increase by 3.0%	32.3	Decrease by 3.0%	(32.3)
Audio-Visual and Video Games Expenditure Credits uptake rates in 2024 to 2025 varies by 25.0%/-25.0% ²	Increase by 25.0%	141.3	Decrease by 25.0%	(141.3)

¹ For High-end Television Tax Relief, the change is the current growth rate plus or minus the difference between the highest growth and average growth over the last 3 years.

² For Audio-Visual and Video Games Expenditure Credits, the uptake rate is based on uptake being 25% faster or slower than the current assumptions for each relief. Note that the size of this impact relates to the amount claimed in AVEC/VGEC instead of the existing reliefs, so does not represent an increase or decrease to the overall CT reliefs estimate, rather the category of relief being claimed.

4.1.5 Corporation tax reliefs – R&D error and fraud

An estimate of error and fraud has been included in these accounts since 2019 to 2020 in response to the increasing take up of these reliefs over recent years.

We first undertook a Random Enquiry Programme (REP) for Small and Medium Enterprise (SME) claims based on a random sample of 500 claims received in 2020 to 2021. This is the third year we have used a REP to estimate error and fraud for SMEs and is based on a sample of 350 cases. 296 cases were closed as of 31 May 2025, which equates to 85% of all cases. The number of cases closed in the sample is 11 percentage points lower than when we finalised the estimate for 2021 to 2022 published in the 2023 to 2024 Annual Report and

Accounts, where 387 out of 404 cases were closed (96%) at 31 May 2024. Our analysts are satisfied that the sample is still statistically valid.

HMRC wanted to assess the impact of policy changes that were introduced by the government to combat the high levels of error and fraud. As a result, samples for the third REP were taken from 1 November 2023 to 29 February 2024, providing a more compressed timetable to enquire into the selected cases than for previous years, resulting in the lower closure rate. These samples were taken from claims submitted after the introduction of an additional information form on the 8 August 2023.

A forecasting method has been undertaken to estimate yield associated with the 15% of REP cases which remained open at the end of May to determine the estimate. The forecasting method used estimates of the likely final settlement of cases from compliance staff to provide the most accurate level of error and fraud available. More information on the calculation of the error and fraud estimates is explained below.

Given the lag between R&D expenditure and the filing deadline for making R&D claims and amendments, the sample for the third REP related to claims with expenditure incurred in Accounting Periods Ending (APE) 2022 to 2023. This differs from previous years where samples related to claims received in the estimate year. This meant the estimate previously included claims for expenditure relating to several years prior. This change was introduced to align the estimate more closely with expenditure reported in the Accounts.

The third REP assessed the amount of error and fraud for SMEs for claims received after the introduction of the additional information form. To calculate the error and fraud levels for 2022 to 2023, the error and fraud rate for claims received prior to the introduction of the additional information form on 8 August 2023 was taken from the results from the second REP for claims for 2021 to 2022. The overall level of error and fraud for SMEs for 2022 to 2023 is a weighted proportion of expenditure received before and after the additional information form was introduced, multiplied by the respective levels of error and fraud from the second and third REPs.

Therefore, we are reporting an updated estimate of error and fraud relating to the financial year 2022 to 2023 in these Accounts. We are also providing an illustrative estimate for 2023 to 2024 and 2024 to 2025. See the last paragraph of this note for further details.

For large businesses (LB) claiming RDEC, the estimate is derived using a combination of data on claims received and the population reviewed through our compliance processes. The estimate reflects LB compliance processes including dedicated Customer Compliance Managers who lead customer case teams and build ongoing relationships with large businesses, which enables collaborative working with customers eligible for RDEC reliefs. Also included in the E&F estimate is an approximation for the remaining population using comparable error rates from the tax gap. Further information on the tax gap can be found in the section 'Chief Executive's Performance Report - Closing the tax gap' (page 15). HMRC analysts have used 2022 to 2023 compliance data from our Large Business team, to estimate the error and fraud within the R&D tax relief expenditure for Large Business customers claiming RDEC in 2022 to 2023. For LB claiming RDEC, the approach is similar to that used to calculate R&D error and fraud in previous years.

Estimated value of R&D error and fraud and as a percentage of the estimated R&D tax relief expenditure

	2022-23	
	Estimate of the rate of error and fraud	Implied monetary value of error and fraud £bn
Error and fraud – SME scheme ¹	14.7%	0.65
Error and fraud – RDEC ^{2&3}	3.3%	0.11
Error and fraud – Total R&D tax relief expenditure ⁴	9.9%	0.76

1 Revised figures for 2022 to 2023 – the illustrative estimated rate of error and fraud for SME scheme for 2022 to 2023 previously reported in Annual Report & Accounts was 19.5% (1,002 million) of the expenditure estimate originally reported for 2022 to 2023.

2 Revised figures for 2022 to 2023 – the illustrative estimated rate of error and fraud for RDEC for 2022 to 2023 previously reported in Annual Report & Accounts was 1.7% (£48.0 million) of the expenditure estimate originally reported for 2022 to 2023.

3 RDEC includes claims made by LB and SME claiming RDEC.

4 Revised figures for 2022 to 2023 – previously reported in Annual Report & Accounts: illustrative estimated rate of error and fraud for total R&D tax relief expenditure for 2022 to 2023 was 13.3% (£1.05 billion).

For the SME estimate, we estimated ranges which illustrate a 95% confidence interval for the error and fraud estimate. The rate of error and fraud in the SME scheme for 2022 to 2023 is not statistically different from the rate for 2021 to 2022 of 25.8%.

For LB claiming RDEC, given the assumption-based methodology used to calculate error and fraud, statistical confidence intervals cannot be calculated. Therefore, upper, and lower bounds have been derived based on best and worst-case scenarios for the rate of error and fraud within the non-reviewed populations. For the upper estimate we assume the level of risk in the non-reviewed population is 6%. For the lower estimate, we assume there is no risk in the non-reviewed population, as in the reviewed population.

Whilst we attempt to capture all reasonable possibilities within our ranges, they do not exhaust the range of reasonable possible outcomes and it is possible that actual values may fall outside the ranges.

Applying the resultant lower, middle, and upper bound rates for SME and LB claiming RDEC to the estimated R&D corporation tax relief expenditure for the financial year 2022 to 2023 (as reported in the Resource Accounts for 2022 to 2023) gives the results below. The overall rate of error and fraud in total R&D expenditure across the SME and RDEC schemes for 2022 to 2023 is not statistically different from 2021 to 2022.

	Lower bound		Most likely		Upper bound	
	£bn	%	£bn	%	£bn	%
SME scheme	0.46	10.3	0.65	14.7	0.92	20.8
RDEC scheme	0.06	1.9	0.11	3.3	0.16	5.1
Combined ¹	0.52	6.7	0.76	9.9	1.09	14.1

1 Figures may not sum due to rounding.

Also impacting the quantitative estimates of error and fraud for 2022 to 2023 are revisions to the estimated expenditure base of R&D corporation tax reliefs for that year. As explained in note 4.1.4 there are timing lags between companies' accounting periods during which underlying R&D expenditure is incurred and submission of their corporation tax returns, and R&D relief claims related to that year. Our estimates of reliefs expenditure are therefore revised over a 5-year period after which they are considered final, and an adjustment is made to each year's expenditure base for the final change in estimate relating to the period 5 years

preceding. We have used the latest estimate for 2022 to 2023 which decreases the expenditure base and reflects overestimations in earlier estimates.

	2022-23 expenditure initially estimated £m	Final adjustment relating to 2017-18 £m	Total expenditure reported in 2022-23 Annual Report and Accounts £m	Updated estimate for 2022-23 £m
R&D SME	5,135.8	1,356.7	6,492.5	4,443.0
RDEC	2,786.5	914.5	3,701.0	3,245.0
Total	7,922.3	2,271.2	10,193.5	7,688.0

Quantifications for error and fraud in subsequent years' expenditure, including for that reported in these accounts, will be performed once relevant available data is available. While the above results are indicative of lower levels of error and fraud than previously estimated, applying the rates above to estimates of subsequent years' expenditure would not give a reliable estimate of error and fraud in those years. There is considerable uncertainty ahead of performing random enquiries for these years because of policy and operational measures introduced to the R&D schemes, which have been designed to reduce the rate of error and fraud.

For illustrative purposes we have considered the possible updated error and fraud position for 2023 to 2024 and the error and fraud position for 2024 to 2025 expenditure to take account of legislative changes and operational measures. The legislative changes introduced from 2023 to 2025 include rate changes, extending relief to data and cloud computing costs and the mandation of digital claims requiring additional information (including pre-notification of some claims). A summary of previously published estimates and the latest estimates based on random enquiry programmes, including for 2022 to 2023 is in the table below.

		Previously published illustrative estimates		Latest estimates based on random enquiry programmes			
		2022-23 £m	2023-24 £m	2021-22 (final estimate) £m	2022-23 (final estimate) £m	2023-24 (illustrative) £m	2024-25 (illustrative) £m
Value of error fraud (£million)	SME scheme	1,003	476	1,203	652	370	339
	RDEC scheme	48	125	134	107	127	142
	Total	1,051	601	1,337	759	497	481
Rate of error and fraud (%)	SME scheme	19.5	14.6	25.8	14.7	11.7	10.6
	RDEC scheme	1.7	2.8	4.6	3.3	2.9	2.9
	Total	13.3	7.8	17.6	9.9	6.5	5.9

The reduced rates of error and fraud in 2023 to 2024 and 2024 to 2025 reflect the policy changes and operational measures that HMRC has implemented to tackle error and fraud.

4.2 Child Benefit

Error and Fraud in Child Benefit is measured by selecting a random sample of 2,700 claimants each year who are asked to provide evidence that they are eligible for Child Benefit.

The 2024 to 2025 cycle runs over 12-month period with a random sample of 225 claimants pulled from the population each month between December 2023 to November 2024.

In the years prior to 2023 to 2024 we selected the full sample of 2,700 claimants from the August Child Benefit data and assessed their eligibility across a full year. This methodology change means that estimates from 2023 to 2024 onwards cannot be directly compared with previous years.

In 2024 to 2025, the majority of claimants (89%) responded to these compliance requests. Of those, almost all (98%) provided the necessary evidence to prove their eligibility, while a small proportion of those who responded (2%) informed HMRC that they are ineligible for Child Benefit (and so their claim is in error and fraud).

11% of those contacted failed to respond to the compliance request. To determine whether these claimants should be considered compliant or non-compliant they were put through a Desk-Based Analysis (DBA) model, which uses other information HMRC holds on these claimants. In previous years results from the DBA were adjusted to account for potential misclassification. For the 2024 to 2025 campaign unadjusted DBA results are used as they give the most robust E&F estimate following the move to monthly sampling and continuous improvement to the DBA. Although we cannot directly measure, we estimate the impact of removing this step to be minimal, likely less than 0.1 percentage point. The 2024 to 2025 DBA concluded that 15% of non-responders were most likely to be non-compliant and 85% were likely to be compliant.

Estimated value of Child Benefit error and fraud and as a percentage of estimated Child Benefit expenditure

	2024-25 £m			2023-24 £m		
	Lower bound	Central estimate	Upper bound	Lower bound	Central estimate	Upper bound
Child Benefit error and fraud	200 (1.5%)	270 (2.0%)	330 (2.5%)	150 (1.2%)	200 (1.6%)	250 (2.0%)

This year's central estimate of E&F (2.0%) has increased compared to 2023 to 2024 (1.6%). Although this is a larger year on year increase than we had observed under the previous methodology, the differences between the estimates are not statistically significant. With only two comparable data points it is not possible to determine whether this indicates an increase in E&F or if this is expected variation due to the sample-based nature of the approach.

4.3 Tax-Free Childcare

A Tax-Free Childcare Error and Fraud (TFC E&F) estimate is included in this year's report to reflect increased availability of robust modelling data since the inception of the scheme in April 2017 when only limited samples were available.

E&F in Tax-Free Childcare can arise either through the customer having been found to not meet one or more of the eligibility criteria at the point of reconfirmation, occurring every 3 months, or through using top up to pay a childcare provider for something other than qualifying childcare.

HMRC developed and implemented an ongoing annual Error and Fraud Analytical Programme (EFAP) for Tax-Free Childcare, starting in 2021. The exercise uses a stratified random sample to select 1,440 households (120 per month) across a calendar year for a full compliance investigation, and results are weighted to the Tax-Free Childcare population level to give our best estimate of E&F in Tax-Free Childcare for the year. The calendar year estimate is then used as a proxy for the reporting year (i.e. using the 2024 E&F estimate for tax year 2024 to 2025). This allows time for operational and analytical work to conclude for publication in the Resource Accounts.

Estimated value of Tax-Free Childcare error and fraud and as a percentage of estimated Tax-Free Childcare expenditure, tax years 2024 to 2025 and 2023 to 2024

	2024-25 £m			2023-24 £m		
	Lower bound	Central estimate	Upper bound	Lower bound	Central estimate	Upper bound
Tax-Free Childcare error and fraud	4 (0.7%)	9 (1.4%)	14 (2.2%)	8 (1.2%)	14 (2.3%)	21 (3.5%)

The central estimate of Tax-Free Childcare E&F in 2024 was 1.4% of government top up, with a 95% confidence interval of 0.7% to 2.2%. This is equivalent to £9 million and is a decrease of 0.9 percentage points from the 2023 central estimate, although the change is not statistically significant.

Based on results to date, the sample size of 1,440 gives an accuracy of +/- 0.5%. For example, if the true E&F rate was 2%, the central estimate from EFAP could be anywhere between 1.5% and 2.5%. Note that accuracy is a separate measure to precision. Accuracy describes how close an estimate is to its true value (which is unknown), whereas precision describes statistical or sampling variability, and is expressed in the 95% confidence interval around the central estimate.

5. Income

Operating income is income which relates directly to the operating activities of the department. It principally comprises fees and charges to other government departments, agencies, non-departmental public bodies and external customers for services provided on a full cost basis. It includes not only income allowed to be retained by the department but also any operating income which is required to be paid to the Consolidated Fund.

VOA services relate to income generated by the agency for the provision of valuations and property advice required to support taxation and benefits. Operating income is stated net of VAT.

Operating income

	2024-25 £m	2023-24 £m
	Departmental group	Departmental group
Administration services	95.9	90.9
Banking services	20.4	17.7
VOA services	51.2	49.4
Subscriptions and fees	48.9	39.2
IT and telephony charges	50.1	35.2
Other income types ¹	128.4	132.9
	394.9	365.3
Of which:		
Income from services	167.4	158.0
Other operating income	227.5	207.3
Total	394.9	365.3

¹ Other income types includes £58 million where there is an agreement with other Crown bodies allowing the sharing of costs for occupying a building, or part of a building. The income and full cost included is where HMRC is the major occupier of the building and has recharged the costs to other Crown bodies who also occupy the buildings.

6. Property, plant and equipment

2024-25							
Land ¹ £m	Buildings ¹ £m	Accommodation refurbishments ¹ £m	Office and computer equipment £m	Vehicles and scientific aids ² £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation							
55.4	287.2	426.1	332.3	16.7	67.2	27.1	1,212.0
55.4	287.2	426.1	332.3	16.7	67.2	27.1	1,212.0
–	–	–	35.1	1.5	1.1	27.4	65.1
–	–	–	–	–	–	–	–
–	(3.4)	(0.5)	(10.4)	(1.9)	(0.7)	–	(16.9)
(11.7)	(0.8)	(18.0)	–	–	(0.1)	–	(30.6)
–	0.1	9.7	7.1	0.4	0.6	(21.4)	(3.5)
–	(113.4)	–	–	–	–	–	(113.4)
43.7	169.7	417.3	364.1	16.7	68.1	33.1	1,112.7
(0.1)	(176.9)	(67.3)	(220.5)	(10.7)	(19.2)	–	(494.7)
(0.1)	(176.9)	(67.3)	(220.5)	(10.7)	(19.2)	–	(494.7)
(0.2)	(6.3)	(21.9)	(42.9)	(1.5)	(5.8)	–	(78.6)
–	13.3	0.5	10.0	1.5	0.7	–	26.0
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	103.6	–	–	–	–	–	103.6
(0.3)	(66.3)	(88.7)	(253.4)	(10.7)	(24.3)	–	(443.7)
55.3	110.3	358.8	111.8	6.0	48.0	27.1	717.3
43.4	103.4	328.6	110.7	6.0	43.8	33.1	669.0
Of the total:							
43.4	103.4	325.5	110.7	6.0	43.7	32.7	665.4
–	–	3.1	–	–	0.1	0.4	3.6

	2024-25							
	Land ¹ £m	Buildings ¹ £m	Accommodation refurbishments ¹ £m	Office and computer equipment £m	Vehicles and scientific aids ² £m	Furniture and fittings £m	Assets under construction £m	Total £m
Carrying amount at 31 March 2025	43.4	103.4	328.6	110.7	6.0	43.8	33.1	669.0
The assets are financed as follows:								
Owned	43.4	95.2	77.0	108.6	6.0	43.8	33.1	407.1
Developer contribution funded	–	–	251.6	–	–	–	–	251.6
PFI contracts	–	8.2	–	2.1	–	–	–	10.3
Carrying amount at 31 March 2025	43.4	103.4	328.6	110.7	6.0	43.8	33.1	669.0

1 See notes 1.10.1 and 1.10.2 for the accounting policy for property assets.

2 This merged column represents immaterial values previously reported separately.

3 This includes Holyhead land and accommodation refurbishment which have been impaired by £11.7 million and £18.0 million respectively to reflect an external valuation completed in Spring 2025.

4 See notes 1.2 and 1.10.2 for the accounting policy regarding revaluation of property, plant and equipment.

2023-24								
	Land ¹ £m	Buildings ¹ £m	Accommodation refurbishments ¹ £m	Office and computer equipment £m	Vehicles and scientific aid ² £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation								
At 1 April 2023	20.4	95.9	458.5	318.8	17.2	68.4	35.8	1,015.0
Additions	18.1	–	–	26.8	1.6	1.1	22.6	70.2
Donations	–	–	–	–	–	–	–	–
Disposals	(6.6)	(18.5)	(34.0)	(19.5)	(2.1)	(2.7)	–	(83.4)
Impairments	–	–	–	–	–	–	–	–
Reclassifications	23.5	96.4	1.6	6.2	–	0.4	(31.3)	96.8
Revaluations ³	–	113.4	–	–	–	–	–	113.4
At 31 March 2024	55.4	287.2	426.1	332.3	16.7	67.2	27.1	1,212.0
Depreciation								
At 1 April 2023	–	(72.5)	(83.3)	(198.1)	(11.5)	(14.7)	–	(380.1)
Charged in year	(0.1)	(6.4)	(22.2)	(41.3)	(1.1)	(6.1)	–	(77.2)
Disposals	–	5.5	33.1	18.9	1.9	1.6	–	61.0
Impairments	–	–	–	–	–	–	–	–
Reclassifications	–	–	5.1	–	–	–	–	5.1
Revaluations ³	–	(103.5)	–	–	–	–	–	(103.5)
At 31 March 2024	(0.1)	(176.9)	(67.3)	(220.5)	(10.7)	(19.2)	–	(494.7)
Carrying amount at 31 March 2023	20.4	22.4	352.6	120.7	5.8	53.7	35.8	611.4
Carrying amount at 31 March 2024	55.3	110.3	358.8	111.8	6.0	48.0	27.1	717.3

2023-24								
	Land ¹ £m	Buildings ¹ £m	Accommodation refurbishments ¹ £m	Office and computer equipment £m	Vehicles and scientific aid ² £m	Furniture and fittings £m	Assets under construction £m	Total £m
Of the total:								
Core department	55.3	110.3	354.9	111.8	6.0	47.8	27.1	713.2
Valuation Office Agency	–	–	3.9	–	–	0.2	–	4.1
Carrying amount at 31 March 2024	55.3	110.3	358.8	111.8	6.0	48.0	27.1	717.3
The assets are financed as follows:								
Owned	55.3	96.9	109.0	109.9	6.0	46.3	27.1	450.5
Developer contribution funded	–	–	249.8	–	–	1.7	–	251.5
PFI contracts	–	13.4	–	1.9	–	–	–	15.3
Carrying amount at 31 March 2024	55.3	110.3	358.8	111.8	6.0	48.0	27.1	717.3

1 See notes 1.10.1 and 1.10.2 for the accounting policy for property assets.

2 This merged column represents immaterial values previously reported separately.

3 See notes 1.2 and 1.10.2 for the accounting policy regarding revaluation of property, plant and equipment.

Property revaluation

Valuations were performed by the Valuation Office Agency, an executive agency of HM Revenue and Customs, whose services include providing valuation and estate surveying services to government departments. No properties were revalued in 2024 to 2025.

7. Intangible assets

	2024-25			
	Licences £m	Software and website development ¹ £m	Assets under construction ¹ £m	Total £m
Cost or valuation				
At 1 April 2024	106.6	5,482.7	988.0	6,577.3
Additions	18.2	—	631.5	649.7
Donations	—	—	—	—
Disposals	(20.0)	(255.8)	(0.2)	(276.0)
Impairments ²	—	—	(67.6)	(67.6)
Reclassifications	11.1	535.7	(543.3)	3.5
Revaluation ³	—	—	—	—
At 31 March 2025	115.9	5,762.6	1,008.4	6,886.9
Amortisation				
At 1 April 2024	(46.7)	(3,671.2)	—	(3,717.9)
Charged in year	(34.9)	(435.9)	—	(470.8)
Disposals	19.0	247.2	—	266.2
Impairments	—	—	—	—
Reclassifications	—	—	—	—
Revaluation ³	—	—	—	—
At 31 March 2025	(62.6)	(3,859.9)	—	(3,922.5)
Carrying amount at 31 March 2024	59.9	1,811.5	988.0	2,859.4
Carrying amount at 31 March 2025	53.3	1,902.7	1,008.4	2,964.4
The assets are financed as follows:				
Owned	53.3	1,902.7	1,008.4	2,964.4
Carrying amount at 31 March 2025	53.3	1,902.7	1,008.4	2,964.4
Of the total:				
Core department	53.3	1,827.3	961.1	2,841.7
Valuation Office Agency	—	75.4	47.3	122.7
Carrying amount at 31 March 2025	53.3	1,902.7	1,008.4	2,964.4

	2023-24			
	Licences £m	Software and website development £m ¹	Assets under construction £m ¹	Total £m
Cost or valuation				
At 1 April 2023	79.1	4,888.7	836.3	5,804.1
Additions	31.2	0.1	693.8	725.1
Donations	–	–	–	–
Disposals	(22.5)	(361.6)	(2.5)	(386.6)
Impairments	–	(14.5)	–	(14.5)
Reclassifications	18.8	520.3	(539.6)	(0.5)
Revaluation ³	–	449.7	–	449.7
At 31 March 2024	106.6	5,482.7	988.0	6,577.3
Amortisation				
At 1 April 2023	(42.4)	(3,356.3)	–	(3,398.7)
Charged in year	(27.0)	(365.3)	–	(392.3)
Disposals	22.7	349.0	–	371.7
Impairments	–	–	–	–
Reclassifications	–	–	–	–
Revaluation ³	–	(298.6)	–	(298.6)
At 31 March 2024	(46.7)	(3,671.2)	–	(3,717.9)
Carrying amount at 31 March 2023	36.7	1,532.4	836.3	2,405.4
Carrying amount at 31 March 2024	59.9	1,811.5	988.0	2,859.4
The assets are financed as follows:				
Owned	59.9	1,811.5	988.0	2,859.4
Carrying amount at 31 March 2024	59.9	1,811.5	988.0	2,859.4
Of the total:				
Core department	59.9	1,796.7	915.5	2,772.1
Valuation Office Agency	–	14.8	72.5	87.3
Carrying amount at 31 March 2024	59.9	1,811.5	988.0	2,859.4

1 Software and website development asset class includes material assets for Customs Declaration Service (CDS) which relate to declarations for all goods, including excise goods and those that move through all routes including maritime ports. The carrying amount for these at 31 March 2025 is £688.8 million (2023 to 2024: £704.0 million). Additionally, the assets under construction asset class includes CDS assets with a carrying amount at 31 March 2025 of £77.8 million (2023 to 2024: £44.0 million).

2 This includes Single Trade Window (STW) which has been impaired in full by £30.1 million. Delivery of the programme was paused at the end of 2024. It remains the government's intention to deliver a STW. HMRC has retained the technology and will re-assess the value of the asset as and when it is appropriate to do so. Similarly, HMRC no longer requires licences for its Managing Authorisations project that cost £6.5 million. These licences were however treated as resource expenditure as they did not meet the IFRS requirements to be capitalised as intangible assets and the costs are included in note 2, within IT services and consumables.

3 See notes 1.2 and 1.10.3 for the accounting policy regarding revaluation of intangible assets.

Software revaluation

In agreement with HM Treasury, HMRC have early adopted a change set out in 2025 to 2026 Financial Reporting Manual (FRM) and therefore no 2024 to 2025 revaluation has been applied to intangible assets.

8. Leases

8.1 Right-of-use assets recognised in Statement of Financial Position

		2024-25	2023-24
		Buildings and vehicles ¹	Buildings and vehicles
		£m	£m
Cost:	At 1 April	1,112.5	1,224.6
	Remeasurement of existing leases	26.9	–
	Additions – new leases	9.3	12.3
	Disposals	(26.1)	(14.3)
	Cost reclassification	–	(110.1)
	At 31 March	1,122.6	1,112.5
Depreciation:	At 1 April	(123.0)	(67.0)
	Charged in-year	(63.7)	(70.3)
	Disposals	12.9	5.5
	Depreciation reclassification	–	8.7
	At 31 March	(173.8)	(123.1)
	Carrying amount at 31 March	948.8	989.4

¹ The above balances predominantly reflect leasehold property - the carrying value for vehicles is less than £2.5 million.

8.2 Lease liabilities recognised in Statement of Financial Position¹

Maturity analysis

	2024-25 £m	2023-24 £m
Buildings		
Not later than one year	58.8	77.4
Later than one year and not later than 5 years	304.5	307.4
Later than 5 years	944.5	1,010.1
	1,307.8	1,394.9
Less interest element	(120.8)	(153.6)
Present Value of obligations	1,187.0	1,241.3
Vehicles		
Not later than one year	0.8	0.7
Later than one year and not later than 5 years	1.9	2.6
	2.7	3.3
Less interest element	–	(0.1)
Present Value of obligations	2.7	3.2
Total Present Value of obligations	1,189.7	1,244.5
Current portion	59.4	63.0
Non-current portion	1,130.3	1,181.5

¹ At any given time, IFRS 16 liability and asset values will not be equal and opposite due to a number of factors. The key reasons are that, on recognition, any prepayments are included in the asset but not the liability and the liability itself is repaid at a different rate to straight line depreciation. Although at the end of the life of the lease both liability and asset should reduce to nil, at any given point in the lease life cycle they will not be equal and offsetting.

8.3 Amounts recognised in Statement of Comprehensive Net Expenditure

	2024-25 £m	2023-24 £m
Interest paid to lessor	11.7	15.6
Depreciation	63.7	71.8
Variable lease payments not included in lease liabilities	–	(0.2)
Non-recoverable VAT	14.7	14.8
Expenses related to short-term leases	–	0.1
Expenses related to low value asset leases (excluding short-term leases)	0.1	–
Rental income from sub-leasing	(13.2)	(29.1)
Other	(0.4)	–
Total charged to the Statement of Comprehensive Net Expenditure under IFRS 16	76.6	73.0

Total charged to the Statement of Comprehensive Net Expenditure resulting from IFRS 16 above is materially the same as would have been charged under IAS 17.

8.4 Amounts recognised in Consolidated Statement of Cash Flows

	2024-25 £m	2023-24 £m
Total cash outflow for leases	(83.5)	(77.9)

9. Commitments under PFI and other service concession arrangements

9.1 Off-Statement of Financial Position

The department has no off-Statement of Financial Position PFI contracts.

9.2 On-Statement of Financial Position

The following commitments are in respect of assets that have been brought onto the department's Statement of Financial Position under IAS 17 and IFRIC 12 Service Concession Arrangements. These comprise of commitments relating to Newcastle Estates Partnership (NEP) held with DWP.

The total amount charged in the Consolidated Statement of Comprehensive Net Expenditure in respect of on-Statement of Financial Position PFI and other service concession arrangement transactions (there were no off-Statement of Financial Position transactions) was £68.4 million (2023 to 2024: £49.6 million).

The substance of each contract is that payments comprise 2 elements – lease payments and service elements.

Details of the obligations for lease payments

	2024-25 £m	2023-24 £m
	Departmental group	Departmental group
Minimum lease payments:		
Due within one year	5.9	7.9
Due between one year and 5 years	6.2	10.6
Due later than 5 years	–	–
Total minimum lease payments due in future periods	12.1	18.5

Details of the obligations for service elements

	2024-25 £m	2023-24 £m
	Departmental group	Departmental group
Service elements due in future periods:		
Due within one year	25.5	31.7
Due between one year and 5 years	25.4	52.5
Due later than 5 years	–	–
Total service elements due in future periods	50.9	84.2
Total commitments	63.0	102.7

9.3 Capital commitments

The capital commitments reported relate to the future cost of development of the estate and IT infrastructure.

Contracted capital commitments at 31 March not otherwise included in these financial statements

	2024-25 £m	2023-24 £m
	Departmental group	Departmental group
Property, plant and equipment	74.6	14.4
Intangible assets	54.5	19.5
	129.1	33.9

9.4 Other financial commitments

This note discloses commitments to future expenditure, not otherwise disclosed elsewhere in the financial statements. These are non-cancellable contracts that the department has entered into which are not a lease, PFI contract or other service concession arrangement.

The payments to which the department are committed are as follows:

	2024-25 £m	2023-24 £m
	Departmental group	Departmental group
Due within one year	341.0	306.8
Due between one year and 5 years	651.3	333.8
Due later than 5 years	86.5	10.2
	1,078.8	650.8

10. Trade receivables, financial and other assets

		2024-25 £m	2023-24 £m
	Note	Departmental group	Departmental group
Amounts expected to be received within one year:			
Personal tax credits	4.1.2	183.9	434.9
Child Benefit ¹		73.0	157.2
Help to Save		8.1	11.1
Deposits and advances		152.9	161.4
Value Added Tax		54.5	59.7
Prepayments – Child Benefit		90.5	–
Accrued income, other prepayments		250.6	202.3
Trade and other receivables ²		61.4	69.0
		874.9	1,095.6
Amounts expected to be received in more than one year:			
Personal tax credits	4.1.2	290.4	1,112.4
		290.4	1,112.4

1 This figure is net of provision for impairment amounting to £28.2 million (2023 to 2024: £28.2 million).

2 This figure includes other receivables which are net of provision for impairment amounting to: £23.3 million (2023 to 2024: £22.8 million).

11. Cash and cash equivalents

Cash and bank balances relate to the administering of the department and programme expenditure but exclude all tax and duty revenues collected. The latter are included in the department's Trust Statement. Cash and cash equivalents comprise cash in hand and current balances, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Bank accounts are part of the Exchequer pyramid whereby balances are effectively held overnight with the Bank of England.

Cash and cash equivalents

	2024-25 £m	2023-24 £m
	Departmental group	Departmental group
Balance at 1 April	41.0	78.6
Net change in cash and cash equivalent balances	27.6	(37.6)
Balance at 31 March	68.6	41.0
Of which balances were held at:		
Government Banking Service	71.6	47.9
Commercial banks and cash in hand ¹	(3.0)	(6.9)
Balance at 31 March	68.6	41.0

¹ The balance also reflects money owing to/from the Trust Statement.

11.1 Reconciliation of liabilities arising from financing activities

	Balance at 31 March 2024	Opening balance adjustment	Cash flows			Non-cash changes		Balance at 31 March 2025
	£m	£m	Financing	Net cash requirement	Acquisition	Disposal	£m	£m
Supply - current year	35.5	–	20,686.1	(20,652.9)	–	–	–	68.7
From the National Insurance Fund ¹	(5.5)	(59.6)	257.7	(278.8)	–	–	–	(86.2)
Lease liabilities	1,262.0	(0.4)	(76.3)	–	31.9	(8.9)	(8.9)	1,208.3
Total liabilities from financing activities	1,292.0	(60.0)	20,867.5	(20,931.7)	31.9	(8.9)	(8.9)	1,190.8

	Balance at 31 March 2023	Opening balance adjustment	Cash flows			Non-cash changes		Balance at 31 March 2024
	£m	£m	Financing	Net cash requirement	Acquisition	Disposal	£m	£m
Supply – current year	72.3	–	20,591.5	(20,628.3)	–	–	–	35.5
From the National Insurance Fund	(8.7)	12.5	272.1	(281.4)	–	–	–	(5.5)
Lease liabilities	1,448.5	21.0	(70.6)	–	13.2	(150.1)	(150.1)	1,262.0
Total liabilities from financing activities	1,512.1	33.5	20,793.0	(20,909.7)	13.2	(150.1)	(150.1)	1,292.0

¹ The opening balance adjustment of £59.6 million represents an element of the accumulated receivable balance in respect of NIC (paybill and other costs) previously not included in the disclosure.

12. Trade and other payables

	2024-25 £m	2023-24 £m
	Departmental group	Departmental group
Amounts expected to be paid within one year:		
Accruals – Corporation tax reliefs	9,451.8	9,359.4
Accruals – Tax-Free Childcare	46.6	56.3
Other accruals	472.5	573.7
Personal tax credits	319.5	399.0
Child Benefit	270.8	242.0
Trade and other payables	105.8	148.8
Taxation and social security excluding VAT	64.9	62.2
Deferred income	21.5	13.2
Amounts issued from the Consolidated Fund for Supply but not spent at year end	68.7	35.5
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:		
Received	–	5.6
	10,822.1	10,895.7
Amounts expected to be paid in more than one year:		
Accruals – corporation tax reliefs	2,331.2	1,863.7
IT Public Private Partnership	2.3	1.7
Accommodation PFI	4.9	9.5
Other payables	8.6	6.6
	2,347.0	1,881.5

13. Provisions for liabilities and charges

Provisions are recognised when HMRC has a present legal or constructive obligation as a result of a past event, it is probable that HMRC will be required to settle that obligation, and an amount has been reliably estimated.

Provisions for liabilities and charges

	2024-25 £m	2023-24 £m
	Departmental group	Departmental group
Balance at 1 April	130.3	159.3
Provided in the year	379.8	38.0
Provisions not required written back	(58.3)	(52.3)
Net expenditure	321.5	(14.3)
Provisions utilised in the year	(9.0)	(14.7)
Balance at 31 March	442.8	130.3

13.1 Analysis of expected timing of discounted flows

	2024-25 £m	2023-24 £m
Not later than one year	367.7	22.3
Later than one year and not later than 5 years	48.8	61.5
Later than 5 years	26.3	46.5
Balance at 31 March	442.8	130.3

	Personal tax credits £m	Stakeholder pensions £m	Legal claims £m	Other £m	Total £m
Not later than one year	210.0	141.3	12.5	3.9	367.7
Later than one year and not later than 5 years	–	–	46.7	2.1	48.8
Later than 5 years	–	–	25.4	0.9	26.3
Balance at 31 March	210.0	141.3	84.6	6.9	442.8

13.2 Personal tax credits

A provision of £210.0 million has been created where net underpayments have been identified on customer records as part of personal tax credits closure activities.

13.3 Stakeholder pensions

A provision has been created for an estimated outstanding liability of £141.3 million payable to the Trust Statement as reimbursement of additional Stakeholder Pensions expenditure or Payment in Lieu of Tax Reliefs (PILOTR) after estimates used in prior years have subsequently been revised. This provision will be utilised in 2025 to 2026 once outstanding amounts are finalised, and going forward a stabilisation adjustment will be made to PILOTR expenditure each year reflecting a new process of finalisation to estimated spend 2 years prior.

13.4 Legal claims

A provision of £84.6 million (2023 to 2024: £105.6 million) has been created for legal costs relating to claims against the department for tax litigation cases accounted for within the Trust Statement. This reflects all known claims where legal advice indicates the case will be successful. There has been no discounting applied as the impact is considered immaterial.

13.5 Other

Provisions relating to various other claims against the department amount to £6.9 million (2023 to 2024: £24.7 million).

14. Pension asset/liability

The Valuation Office Agency (VOA) merged with The Rent Service on 1 April 2009, taking on staff who are members of the Local Government Pension Scheme. The pension assets part of the Local Government Pension Scheme are reflected in the Consolidated Statement of Financial Position (CSoFP), (see page 228).

The impact on the HMRC CSoFP is immaterial, the table below shows the pension assets and liabilities that results in a net asset.¹

	2024-25 £m	2023-24 £m
Fair value of fund assets (bid value)	231.8	232.0
Present value of defined benefit obligation	(109.9)	(124.1)
Net asset	121.9	107.9
Present value of unfunded obligations	(0.2)	(0.2)
Remeasurement of net defunded benefit pension asset for changes in asset ceiling	(118.1)	(99.4)
Net asset in the Statement of Financial Position	3.6	8.3

¹ Table added 2024 to 2025 to provide context to the underlying movements for the net figure.

Due to insufficient evidence available for the purposes of the VOA financial statements audit, the NAO audit opinion on the financial statements is qualified in respect of this matter. Further information can be found in the VOA Annual Report and Accounts, published at www.voa.gov.uk

15. Contingent liabilities

The department's contingent liabilities are possible obligations that arise from past events and for which existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within HMRC's control. An example is legal action where the department may need to pay legal costs if it loses the case. These are not disclosed where disclosure could seriously prejudice the outcome of legal claims against the department.

The department has the following quantifiable contingent liabilities:

Legal claims – A contingent liability of £132.5 million (2023 to 2024: £129.2 million) has been made for legal costs relating to claims against the department for tax litigation cases where provision for the tax repayment is accounted for in the Trust Statement. The contingent liability for legal costs reflects all known claims where legal advice indicates that it is possible that the case will be successful. Discounting has not been applied as immaterial.

Guaranteed costs – possible liability where appointed liquidators have been guaranteed payment of their costs with a view to recovery of outstanding tax liabilities £0.6 million, 34 cases (2023 to 2024: £0.7 million, 32 cases).

Other – the department has a further number of contingent liabilities amounting to £81.4 million (2023 to 2024: £127.3 million).

The department has remote unquantifiable contingent liabilities relating to some legal claims.

16. Financial instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the department's expected purchase and usage requirements and the department is therefore usually exposed to little credit, liquidity or market risk.

17. Related-party transactions

The department is the parent of the Valuation Office Agency. This body is regarded as a related party with which the department has had various material transactions during the year.

The Valuation Office Agency has had a significant number of material transactions with other government departments. Most of these transactions have been with the Ministry of Housing, Communities and Local Government, the Department for Work and Pensions and the Welsh Government.

In addition, the department has had a small number of transactions with other government departments and other central government bodies.

No Board member, key manager or other related party has undertaken any material transactions (i.e. transactions of £0.1 million or more) with the department during the year. Details of compensation for key management personnel can be found in the remuneration report within the accountability section.

18. Entities within the departmental boundary

The Valuation Office Agency is a supply-financed agency. Its Annual Report and Accounts are published at www.voa.gov.uk.

19. Investments and loans in other public sector bodies

The department holds no ordinary shares, loans, public dividend capital or other interests in public bodies outside the departmental boundary.

20. Events after the reporting period date

On 28 April 2025, as part of its Tax Update: Simplification, Administration and Reform (TUSAR), the Government announced that VOA will be brought back into its parent department, HMRC, by April 2026. Whilst this means the VOA will no longer exist as an executive agency, its functions and operations remain critical to providing the valuations that underpin the collection of local authority funding and these will continue to be performed from within HMRC.

These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

Annex 1: Arm's-length bodies

Information on arm's length bodies is shown on page 108 within the Principal Accounting Officers report. The following bodies are those within our accounting boundary for 2024 to 2025 that contribute to the departmental group. This section has not been subject to audit.

				Permanently employed staff		Other staff ¹	
	Total operating income £'000	Total operating expenditure £'000	Net expenditure for the year (including financing) £'000	Number of employees	Staff costs £'000	Number of employees	Staff costs £'000
HMRC	(336,526)	34,102,682	33,777,730	62,224	3,301,085	1,924	15,218
VOA	(57,579)	295,099	237,799	3,763	195,178	93	11,156

1 "Other staff" includes Fixed Term Appointments and Temporary Fixed Term Appointments.

Annex 2: Statistical Tables

This table provides further detail by category on HMRC spending.

Table 1: Total departmental spending (£000)

	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Outturn	2025-26 Plans
Resource DEL¹						
HMRC administration	4,335,323	4,570,843	5,199,284	5,271,201	5,354,901	6,309,443
VOA administration	141,100	143,995	132,548	183,309	201,708	250,573
Utilised provisions	96,219	31,502	19,614	10,004	7,995	–
National Insurance Fund	222,649	251,344	259,413	277,222	274,510	239,810
Cost of Living	–	–	717,872	760,000	-5,248	–
COVID-19	–	719,062	-110	–	–	–
Total Resource DEL	4,795,291	5,716,746	6,328,621	6,501,736	5,833,866	6,799,826
<i>Of which:</i>						
Staff costs	2,778,298	2,862,995	3,265,139	3,477,773	3,613,969	4,022,563
Purchase of goods and services	1,494,300	1,842,658	1,903,404	1,907,881	1,787,446	2,207,477
Income from sales of goods and services	-288,573	-269,435	-268,378	-370,010	-445,724	-428,600
Current grants to persons and non-profit bodies (net)	52,638	743,791	720,321	757,241	-4,654	1,955
Current grants abroad (net)	840	1,025	1,043	1,672	1,811	–
Subsidies to private sector companies	–	–	–	–	–	–
Rentals	326,652	277,172	159,943	112,242	112,550	106,912
Depreciation ²	310,833	174,352	478,237	535,681	694,842	849,533
Change in pension scheme liabilities	-210	–	–	–	–	–
Other resource	120,513	84,188	68,912	82,366	73,626	39,986
	4,795,291	5,716,746	6,328,621	6,501,736	5,833,866	6,799,826

1 Outturn values are consistent with those reported in SOPS 1.1 on page 157.

2 Includes impairments.

Note: The totals may differ to the information in the Statement of Parliamentary Supply due to rounding.

	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Outturn	2025-26 Plans
Resource AME¹						
Child Benefit	11,541,713	11,420,034	11,595,575	12,510,146	13,302,821	14,402,477
Tax-Free Childcare	253,047	428,406	494,401	635,340	617,876	455,410
Providing payments in lieu of tax relief to certain bodies	140,071	130,003	7,973	173,626	192,610	203,231
Lifetime ISA	346,120	418,943	436,809	499,125	624,403	569,837
Help to Save	–	20,361	53,202	51,654	45,031	43,620
HMRC administration	52,212	8,072	33,808	-3,987	120,587	3,960
VOA – Payments of rates to LAs on behalf of certain bodies	75,646	78,061	64,199	83,738	82,778	96,970
VOA Administration	1,184	1,010	1,082	853	898	2,000
Utilised provisions	-96,223	-31,510	-19,615	-14,730	-7,997	–
Personal tax credits	15,063,222	10,605,481	8,834,945	7,307,214	2,669,737	–
Other reliefs and allowances	10,698,573	11,696,601	12,560,346	12,053,282	10,127,655	12,234,849
COVID-19	81,233,264	16,543,682	-132,476	-21,800	-1,140	110
Total Resource AME	119,308,829	51,319,144	33,930,249	33,274,461	27,775,259	28,012,464
<i>Of which:</i>						
Purchase of goods and services	95,721	83,492	68,188	89,053	87,917	104,350
Income from sales of goods and services	-4,535	-4,412	-3,918	-5,200	-4,957	-5,380
Current grants to persons and non-profit bodies (net)	26,770,567	39,076,439	21,426,819	21,311,587	17,456,784	15,679,268
Subsidies to private sector companies	88,673,903	12,186,849	12,423,956	11,897,211	10,122,209	12,230,266
Depreciation ²	1,785	9,514	12,752	12,208	11,604	3,960
Take up of provisions	50,315	-2,222	22,067	-15,327	108,983	30,000
Release of provision	-102,416	-31,299	-19,615	-15,071	-7,099	-30,000
Other resource	3,823,489	783	–	–	-182	–
	119,308,829	51,319,144	33,930,249	33,274,461	27,775,259	28,012,464
Resource budget¹						
Total Resource DEL	4,795,291	5,716,746	6,328,621	6,501,736	5,833,866	6,799,826
Total Resource AME	119,308,829	51,319,144	33,930,249	33,274,461	27,775,259	28,012,464
Total Resource budget	124,104,120	57,035,890	40,258,870	39,776,197	33,609,125	34,812,290
<i>Of which:</i>						
Depreciation ²	312,618	183,866	490,989	545,134	706,446	853,493

1 Outturn values are consistent with those reported in SOPS 1.1 on page 157.

2 Includes impairments

Note: The totals may differ to the information in the Statement of Parliamentary Supply due to rounding.

	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Outturn	2025-26 Plans
Capital DEL¹						
HMRC administration	529,830	643,880	524,552	695,753	686,362	834,000
VOA administration	6,746	20,650	31,848	29,364	41,709	41,233
Total Capital DEL	536,576	664,530	556,400	725,117	728,071	875,233
<i>Of which:</i>						
Purchase of assets	677,700	982,938	644,473	805,498	750,944	895,233
Income from sales of assets	-141,124	-318,408	-88,073	-80,381	-22,873	-20,000
	536,576	664,530	556,400	725,117	728,071	875,233
Capital AME¹						
Child Benefit	4	7	1	2	2	10
VOA administration	–	–	–	–	–	385
Total Capital AME	4	7	1	2	2	395
<i>Of which:</i>						
Capital grants to persons & non-profit bodies (net)	4	7	1	2	2	395
	4	7	1	2	2	395
Capital budget¹						
Total Capital DEL	536,576	664,530	556,400	725,117	728,071	875,233
Total Capital AME	4	7	1	2	2	395
Total Capital budget	536,580	664,537	556,401	725,119	728,073	875,628

1 Outturn values are consistent with those reported in SOPS 1.2 on page 159.

This table shows HMRC administration expenditure, utilised provisions and the administration element of the National Insurance Fund. This table does not include programme expenditure.

Table 2: Administration budget (£000)

	2020-21 Outturn	2021-22 Outturn	2022-23 Outturn	2023-24 Outturn	2024-25 Outturn	2025-26 Plans
Resource DEL						
HMRC administration	896,424	828,681	948,413	918,850	1,002,674	1,249,705
National Insurance Fund	50,536	56,030	54,712	63,962	64,082	53,966
Total administration budget	946,960	884,711	1,003,125	982,812	1,066,756	1,303,671
<i>Of which:</i>						
Staff costs	467,299	437,580	474,413	560,426	618,437	748,507
Purchase of goods and services	338,798	374,643	450,180	425,260	420,528	474,931
Income from sales of goods and services	-94,044	-94,887	-59,763	-89,116	-117,781	-119,586
Current grants to persons and non-profit bodies (net)	1,661	1,642	1,659	1,936	1,829	1,841
Rentals	149,860	110,563	39,512	24,279	58,013	40,917
Depreciation	52,274	30,933	86,522	50,496	73,795	146,542
Other resource	31,112	24,237	10,602	9,531	11,935	10,519
	946,960	884,711	1,003,125	982,812	1,066,756	1,303,671

Note: The totals may differ to the information in the Statement of Parliamentary Supply due to rounding.

Annex 3: Sustainability data tables

Greening Government Commitments (GGC)

	2017-18 ¹	2022-23	2023-24	2024-25
Greenhouse gas emissions (tonnes CO ₂ e, 000s)	88.4	37.0	30.6	29.9
Direct building emissions (tonnes CO ₂ e, 000s)	25.4	17.4	11.7	10.6
Domestic flight emissions (tonnes CO ₂ e, 000s)	2.2	0.7	0.9	1.0
Paper purchased (A4 reams equivalent, 000s)	295.3	35.7	30.2	28.3
Water consumption (m ³ 000s)	566.1	211.3	207.2	225.5
Waste generated (tonnes, 000s excl. ICT)	9.5	4.0	3.1	2.8
Waste to landfill (% excl. ICT)	1.9	0.04	–	–
Waste recycled (% excl. ICT)	81	67	68	69
ICT waste recycled (tonnes)	70.6	121.0	47.5	3.6
ICT waste reused (tonnes)	213.8	269.6	75.3	18.2

¹ This is in the baseline year for our GGC commitments.

Greenhouse gas emissions

	2022-23	2023-24	2024-25
Non-financial indicators	tCO₂e, 000s		
Total gross emissions	38.54	32.87	33.16
Total net emissions	25.99	20.47	20.77
Gross emissions Scope 1 and 2	32.85	26.73	25.41
Gross emissions Scope 3 (business travel)	5.69	6.14	7.75
Energy consumption	kWh, 000s		
Electricity: non-renewable	2,872	2,164	2,323
Electricity: renewable	59,491	55,135	54,969
Gas	88,635	62,559	57,432
Oil	4,828	820	300
Whitehall District Heating	N/A	N/A	N/A
Enviroenergy District Heating	N/A	N/A	N/A
Stratford District Heating	6,289	6,368	5,136
Sheffield District Heating	N/A	N/A	N/A
Travel breakdown	tCO₂e, 000s		
Road	2.75	2.43	2.62
Rail	1.86	1.54	1.86
Air (domestic and overseas)	2.23	3.15	4.22
	% of fleet		
Ultra Low Emission Vehicles	13 ¹	29	41
Financial indicators	£000		
Expenditure on energy	24,556	23,375	24,144
Expenditure on accredited offset purchases	–	–	–
Expenditure on official business travel	20,405	19,610	20,853

¹ This figure increases to 29% when vehicles on order are included, meeting the interim Government Fleet Commitment target.

Waste¹

		2022-23	2023-24	2024-25
Non-financial indicators		Tonnes 000s		
Total waste (excl. ICT)		4.03	3.11	2.80
Waste	Landfill	0.002	0.00	0.00
	Recycled/ composted	2.7	2.13	1.92
	Incinerated/ energy from waste	1.33	0.99	0.88
ICT waste		0.39	0.12	0.02
Financial indicators		£000s		
Total waste (excl. ICT)		226	174	157
Waste	Landfill	0.28	–	–
	Recycled/ composted	151	119	108
	Incinerated/ energy from waste ¹	75	55	49
ICT waste		1,253	661	–

Food waste

		2023-24	2024-25
		Tonnes	
Reuse	Redistribution for human consumption	–	–
	Animal feed	–	–
	Bio-based materials/Biochemical processing	–	–
	Other reuse	–	–
Waste	Anaerobic digestion/codigestion	39.40	43.76
	Composting/Aerobic processes	–	–
	Incineration/Controlled combustion	–	–
	Land application	–	–
	Landfill	–	–
	Sewer/Wastewater treatment	–	–
	Refuse/Discards/Litter (incl. dumping and unmanaged disposal)	–	–
	Other	–	–
	Total food waste	39.40	43.76

¹ Figures may not sum due to rounding.

Finite resource consumption – water

		2022-23	2023-24	2024-25
Financial indicators		£000s		
Water consumption	supplied	1,270	1,278	1,154

Copier paper purchased

		2022-23	2023-24	2024-25
Financial indicators		£000s		
		154	137	124

Air travel breakdown¹

2022-23							2023-24			2024-25		
Non-financial indicators	No	Kms	mtCO ₂ e	No	Kms	mtCO ₂ e	No	Kms	mtCO ₂ e	No	Kms	mtCO ₂ e
Total domestic	13,359	5,505,928	715.94	13,096	5,310,480	854.93	15,374	6,008,038	967.17			
Total international	2,400	6,488,016	1,510.17	2,512	6,984,380	2,291.85	3,192	9,286,344	3,253.10			
Short haul economy	1,127	1,107,488	167.25	1,158	1,243,080	227.32	1,627	1,773,122	324.25			
Short haul business	27	34,147	7.73	27	36,635	10.05	49	65,714	18.03			
Long haul economy	632	2,978,393	440.42	563	2,629,894	527.55	399	1,952,200	390.65			
Long haul premium economy	54	310,958	73.57	61	330,856	105.93	38	241,354	77.27			
Long haul business	332	1,649,887	707.50	442	2,259,994	1,311.45	752	3,510,151	2,036.87			
Long haul first	18	78,385	46.36	4	23,644	18.93	26	131,792	105.49			
International non-UK	210	328,758	67.34	257	460,276	90.63	301	1,612,011	300.54			

Online meetings

		2022-23	2023-24	2024-25
Total number of on-line meetings initiated		11,788,133	13,931,789	18,006,792

¹ Figures may not sum due to rounding.



National Audit Office

Report by the Comptroller and Auditor General

HM Revenue & Customs 2024-25 Accounts

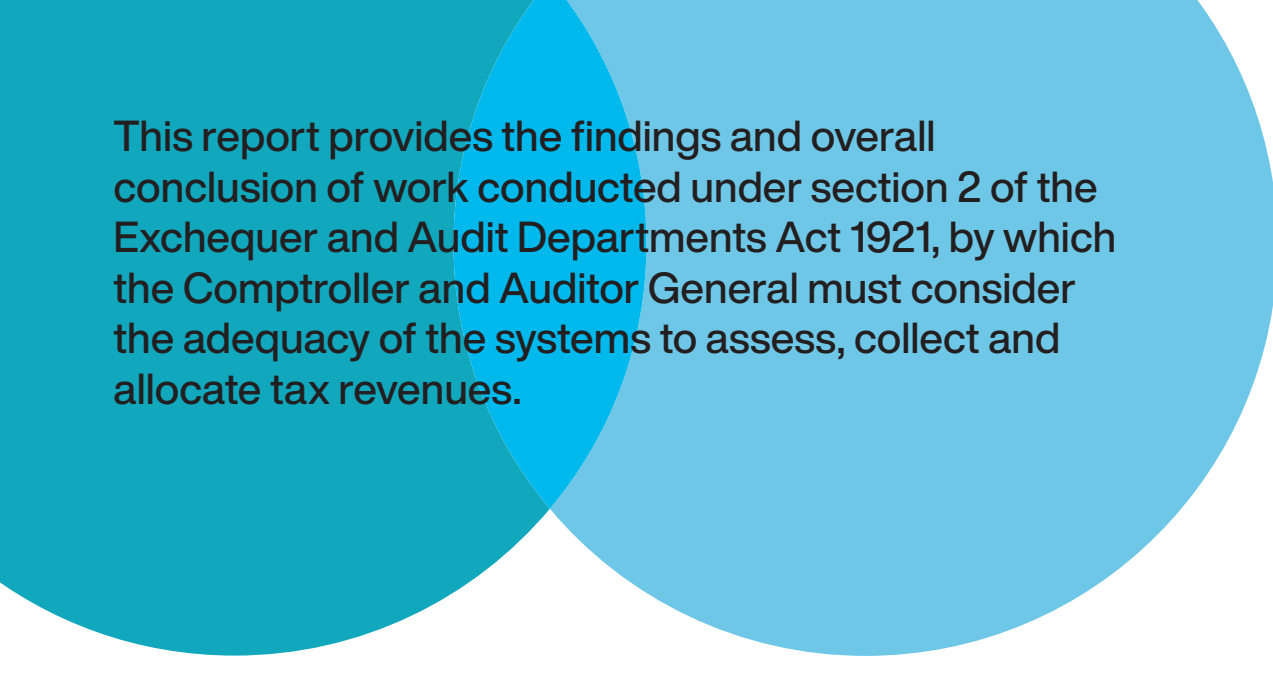
Report by the Comptroller and Auditor General

This report is published alongside the 2024-25 Accounts
of HM Revenue & Customs

Issued under Section 2 of the Exchequer and Audit
Departments Act 1921

Gareth Davies
Comptroller and Auditor General
National Audit Office

16 July 2025



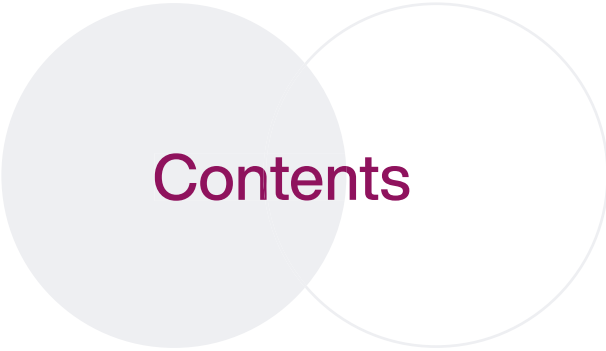
This report provides the findings and overall conclusion of work conducted under section 2 of the Exchequer and Audit Departments Act 1921, by which the Comptroller and Auditor General must consider the adequacy of the systems to assess, collect and allocate tax revenues.

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What this report covers

HMRC corporate document	Coverage of this report
Trust Statement	HM Revenue & Customs (HMRC) reported £875.9 billion of tax revenue for 2024-25. Under the Exchequer and Audit Departments Act 1921, the Comptroller and Auditor General (C&AG) must certify whether the Trust Statement is true and fair, and whether HMRC has used the income and expenditure for the purposes Parliament intended. The C&AG has concluded that: - the figures in the Trust Statement are true and fair; and - HMRC has used income and expenditure for the purposes Parliament intended. The 1921 Act also requires the C&AG to consider whether HMRC's systems to collect tax are adequate. We found that HMRC's systems to collect taxes are adequate, subject to the observations in this report and other reports to Parliament.
Resource Accounts	The cost of running HMRC in 2024-25 was £6.6 billion. HMRC paid out £27.8 billion, including £2.7 billion of Personal Tax Credits and £13.3 billion of Child Benefit. Under the Government Resources and Accounts Act 2000, the C&AG must certify whether HMRC's Resource Accounts are true and fair, and whether HMRC has used the income and expenditure for the purposes Parliament intended. The C&AG has concluded that: - the Resource Accounts are true and fair; but - there remains a material level of error and fraud in Corporation Tax research and development reliefs (Part Two); - there remains a material level of error and fraud in Personal Tax Credits expenditure (Part Two); and - there remains a material level of error and fraud in Child Benefit expenditure (Part Two).
Annual Report	We reviewed HMRC's performance against its main objective of collecting tax revenues and considered the main components of the £875.9 billion raised during 2024-25 (Part One). We reviewed whether HMRC is delivering value for money and reported our findings to Parliament under section 6 and section 9 of the National Audit Act 1983.

Summary

HM Revenue & Customs' performance, 2024-25

1 HM Revenue & Customs (HMRC) is responsible for administering the UK's tax system. HMRC's strategic objectives are:¹

- to close the tax gap;
- to improve day to day performance and the overall customer experience;
- to reform and modernise Tax and Customs administration;
- to build a high-performing organisation, with a skilled and engaged workforce; and
- to support wider government economic aims through HMRC's work.

2 This report sets out our factual commentary on HMRC's performance in 2024-25, together with the reasons and context for the Comptroller and Auditor General's (C&AG's) qualification of his opinion on the regularity of HMRC's 2024-25 Resource Accounts. It draws on the findings from our statutory audit work in respect of HMRC during the period, including: the audits of HMRC's financial statements; the adequacy of its systems for collecting revenue; and the value for money it achieved from its spending (see Appendix One). This report does not reach a separate conclusion on the value for money of HMRC's expenditure.

3 In this report we cover:

- HMRC's performance against its 2024-25 objective of collecting revenues and managing compliance, the main components of the £875.9 billion raised in 2024-25, HMRC's customer service and debt management performance, and the costs of tax collection (Part One); and
- the basis of the C&AG's qualification of his opinion on the regularity of HMRC's Resource Accounts in relation to error and fraud in Corporation Tax research and development reliefs, Personal Tax Credits and Child Benefit (Part Two).

¹ HMRC updated its strategic objectives following the change in government in July 2024. Previously, its objectives were as follows: collect the right tax and pay out the right financial support; make it easy to get tax right and hard to bend or break the rules; maintain taxpayers' consent through fair treatment and protect society from harm; make HMRC a great place to work; and support wider government economic aims through a resilient, agile tax administration system.

Summary findings

Total revenues

4 HMRC reported total tax revenues of £875.9 billion for 2024-25, the highest on record for the fourth successive year, representing a 3.9% increase on 2023-24. Total revenues increased by £32.5 billion compared with 2023-24 (£843.4 billion). This was driven largely by growth in revenue from Income Tax, reflecting the continued freezing of tax bands and thresholds, and Value Added Tax (VAT) (paragraph 1.2 and Figure 1).

5 HMRC estimates that the tax gap – the difference between the amount of tax that should be paid to HMRC, and what was actually paid – increased from £46.4 billion in 2022-23 to £46.8 billion in 2023-24. As a proportion of tax due, it has decreased from 5.6% to 5.3%. HMRC published its latest estimates of the tax gap in June 2025, but these figures may be revised in later years. In its latest publication, HMRC revised upward its estimate of the tax gap for 2022-23, from £39.8 billion (4.8% of total theoretical liabilities) to £46.4 billion (5.6% of total theoretical liabilities). The tax gap arises for several reasons including mistakes made by taxpayers, failure to take reasonable care, avoidance and evasion of tax, and insolvency. It can be affected by factors such as changes in the economy and demographics. In monetary terms, HMRC estimates that the Corporation Tax gap increased the most, from £15.5 billion in 2022-23 to £18.6 billion in 2023-24, although it did fall as a proportion of theoretical liabilities for Corporation Tax. The proportion of the tax gap for which small businesses are liable remains higher than for any other customer group, accounting for 60% of the total tax gap, compared with 56% in 2022-23 (paragraphs 1.11 to 1.14, and Figure 3).

6 HMRC estimates that the yield from its compliance activities in 2024-25 was £48.0 billion, up 14.9% from 2023-24 and £2.6 billion higher than its target. Compliance yield measures the effectiveness of HMRC's compliance and enforcement activities. It is one of HMRC's main performance measures. The yield reported in 2024-25 is higher than its target for the year of £45.4 billion. The rise in compliance yield between 2023-24 and 2024-25 was particularly driven by increases in upstream yield, which has more focus on encouraging voluntary compliance and preventing non-compliance. HMRC's compliance yield in 2024-25 represents 5.5% of total revenues reported by HMRC, higher than the proportion seen in 2023-24 (5.0%) and the five-year average of 5.2% achieved between 2015-16 and 2019-20 before the pandemic. A 2025 report published by the National Audit Office found that HMRC's costs for administering the tax system increased by 15% (£563 million) in real terms between 2019-20 and 2023-24, similar to the increase in tax revenue (16%), with the main driver being the increasing cost of compliance activity (paragraphs 1.15 to 1.23 and 1.31 to 1.33, and Figures 4 and 5).

7 Tax debt was £42.8 billion as at 31 March 2025, a fall of £0.2 billion (0.5%) from 31 March 2024, but remains significantly higher than pre-pandemic levels.

In the five years between 2015-16 and 2019-20, gross tax debt was typically around £15 billion, or 2.5% of tax revenues. The economic impact of the pandemic, and HMRC's decision to suspend most debt collection, led to a large increase in tax debt. As at March 2025, the level of tax debt was £42.8 billion, or 4.9% of tax revenues. The decrease in the tax debt balance from 2023-24 was driven by a 7% fall in the level of new taxpayer debt, from £103.5 billion in 2023-24 to £96.7 billion in 2024-25. However, overall HMRC's tax debts are becoming older and therefore less likely to be paid: the amount of total tax debt paid by taxpayers decreased by 9% from £81.2 billion in 2023-24 to £73.7 billion in 2024-25. HMRC impairs its debt estimates to reflect the fact that not all of the debt may be recovered from taxpayers. HMRC's impairment estimate increased from £27.6 billion in 2023-24 to £30.2 billion in 2024-25. Although the impairment decreased as a percentage of all receivables, from 45.4% to 43.8%, the amount of debt written off or remitted by HMRC increased from £5.6 billion in 2023-24 to £7.2 billion in 2024-25. This reflects continuing high levels of corporate insolvencies as well as more in-year HMRC activity to identify losses (paragraphs 1.5 to 1.10 and Figure 2).

8 In customer services, HMRC's performance data shows that its telephone performance improved in 2024-25, but remains below target. Its performance handling correspondence has improved, and digital performance remained stable with an increase in the number of customers using digital services. HMRC answered 71.5% of callers' attempts to speak to an adviser in 2024-25, compared with 66.4% in 2023-24 and against a target of 85%. The proportion of calls that were answered when a customer asked to speak to an adviser increased dramatically through 2024-25, from 53.5% in April 2024 to 80.2% in March 2025. Callers who did get through waited on average 18:38 (18 minutes and 38 seconds), compared with 23:14 in 2023-24, but up from 06:39 in 2019-20. HMRC improved the proportion of correspondence handled within 15 working days from 76.3% in 2023-24 to 76.9% in 2024-25, though still below its target of 80%, and broadly maintained the proportion handled within 40 working days (88.2% in 2024-25 compared with 88.9% in 2023-24, against a target of 95%). HMRC's digital services performance in 2024-25 was high, with 82.9% of customers surveyed reporting they were satisfied after using a digital service (83.1% in 2023-24). The number of customers using key digital services such as the HMRC app and Personal Tax Account (PTA) increased in 2024-25 (paragraphs 1.24 to 1.30 and Figures 6 and 7).

Error and fraud in Corporation Tax research and development reliefs,
Personal Tax Credits and Child Benefit

9 The C&AG has qualified his opinion on the regularity of HMRC's 2024-25 Resource Accounts due to the material level of error and fraud in Corporation Tax research and development (R&D) reliefs. The R&D relief schemes are complex and have proved attractive to those seeking to abuse them, opening up opportunities for fraud. HMRC's most recent estimate shows that the level of error and fraud present in this area of expenditure is £481 million or 5.9% of related expenditure (2023-24: £497 million or 6.5% of related expenditure). Some £339 million of error and fraud relates to the small and medium-sized enterprise (SME) scheme, representing 10.6% of SME expenditure. HMRC's estimate for 2024-25 takes into account changes in patterns of expenditure in the current year which are largely driven by the change in relief rates. It will not know the impact of these changes until it has completed its random enquiries on 2024-25 returns (paragraphs 2.2, 2.3, 2.6 to 2.10 and Figure 8).

10 HMRC's revised estimate of error and fraud in Corporation Tax research and development reliefs for 2022-23 is £759 million (9.9% of related expenditure). There is a two-year lag between claimants incurring qualifying expenditure and submitting a Corporation Tax return. Given this and the time that it takes HMRC to open and close its random enquiries, it considers that applying and weighting the results from its second and third random enquiry programmes to 2022-23 expenditure provides the most statistically robust estimate of error and fraud it can produce at this time. HMRC estimates that, in 2022-23, error and fraud in Corporation Tax R&D reliefs could have been as high as £1,086 million (14.1%) or as low as £517 million (6.8%) (paragraphs 2.13 and 2.15).

11 The C&AG has also qualified his opinion on regularity of HMRC's 2024-25 Resource Accounts due to the material level of error and fraud in Personal Tax Credits. HMRC estimates that, in 2024-25, error and fraud resulted in overpayments of 4.2% of tax credits expenditure (2023-24: 4.7%) and underpayments of 0.8% of expenditure (2023-24: 0.8%). This equates to overpayments of £85 million (2023-24: £365 million) and underpayments of £15 million (2023-24: £60 million). This reduction in the value of error and fraud relates largely to the reduction in related tax credits expenditure as claimants migrate across to Universal Credit which is administered by the Department for Work and Pensions. Personal Tax Credits closed on 5 April 2025 with no live awards remaining in payment and therefore this will be HMRC's final estimate of error and fraud in tax credits (paragraphs 2.18 to 2.28 and Figure 9).

12 The C&AG has also qualified his opinion on the regularity of HMRC's 2024-25 Resource Accounts due to the material level of error and fraud in Child Benefit expenditure. HMRC estimates that, in 2024-25, the overall level of error and fraud resulting in overpayments of Child Benefit amounted to 2.0% of expenditure (2023-24: 1.6%). This equates to overpayments of £270 million (2023-24: £200 million). HMRC estimates the level of error and fraud by selecting a random sample of claims for inspection and it is the second year HMRC has produced its estimate of error and fraud based on a monthly sample of claims. In the prior year HMRC told us that the increase in error and fraud, from 0.8% to 1.6%, was a result of improvements in estimation methodology. Prior to 2023-24 it produced its estimates based on a sample that was drawn on an annual basis. HMRC's current-year estimate has increased relative to last year. As a result, HMRC does not know whether there has been an increase in underlying error and fraud and its approach continues to be focused on targeting and addressing the biggest causes through its future compliance work (paragraphs 2.29 to 2.40, and Figures 10 and 11).

Conclusion

13 We recognise that no tax collection system can ensure that everyone meets their tax obligations. In fulfilling our statutory duties under the Exchequer and Audit Departments Act 1921, we conclude that overall, in 2024-25, HMRC framed adequate regulations and procedures to secure an effective check on the assessment, collection and proper allocation of revenue, and that HMRC duly carries these out. This assurance is subject to the observations on specific aspects of the administration of taxes in this report and our other reports to Parliament.

Part One

Performance in 2024-25

1.1 This part of the report sets out HM Revenue & Customs' (HMRC's) performance in 2024-25 in collecting revenues due and managing compliance. Performance is measured by the revenues reported in HMRC's Trust Statement, and the tax gap and compliance yield, as disclosed in its Annual Report. This part also covers customer service and debt management performance for 2024-25 as reported by HMRC, and findings related to costs of tax collection.

Total revenue in 2024-25

1.2 HMRC reported £875.9 billion in revenues in 2024-25 (£843.4 billion in 2023-24). Revenues have now increased to their highest reported level for the fourth successive year (**Figure 1**).² Total revenues increased by £32.5 billion (3.9%).³ This growth in revenue was driven by a £23.2 billion (8.1%) increase in Income Tax revenue, due to growth in both employment and wages, combined with frozen tax thresholds, and a £13.0 billion (7.9%) increase in Value Added Tax (VAT), which was due to the impact of underlying growth and inflation, an understatement of accrued VAT revenue in 2023-24, and the impact of VAT being added to private school fees. While employment and wages increased in 2024-25, some National Insurance Contributions (NICs) rates were cut in January and April 2024 and so revenue from NICs fell by £8.2 billion (4.6%) in 2024-25. Revenue from Corporation Tax and hydrocarbon oils duties stayed broadly consistent this year.

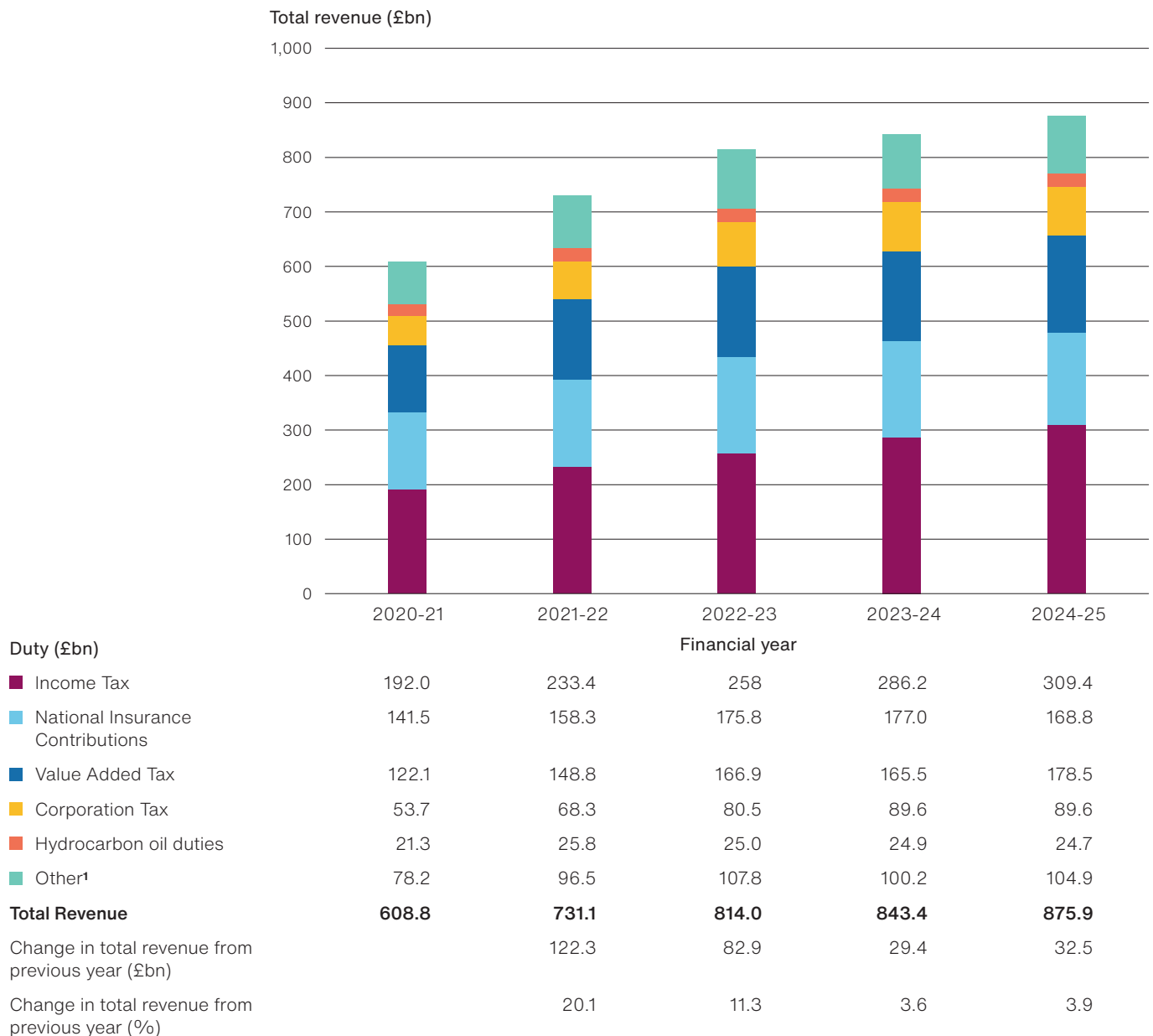
² HMRC records revenue in the Trust Statement on an accruals basis, other than for those taxes disclosed in Note 1.2 of the Trust Statement accounts. Accounting for tax on an accruals basis means that the revenue figures reported relate to tax due on earned income or activities during the financial year, regardless of when HMRC receives the cash. Values throughout the report are in nominal terms to maintain consistency with HMRC's Trust Statement and its wider Annual Report and Accounts.

³ In March 2025, the Office for Budget Responsibility (OBR) forecast that National Accounts taxes in 2024-25 would increase by 4.0% (£39 billion) compared with 2023-24. While broadly similar, this forecast is not directly comparable with the growth rate in revenue of 3.9% reported in the Trust Statement as it is calculated on a different basis and includes a different set of components. For example, the forecast includes taxes not administered by HMRC, including Council Tax and Business Rates.

Figure 1

Total revenues reported by HM Revenue & Customs (HMRC), 2020-21 to 2024-25

In 2024-25, total revenues increased by 3.9%

**Notes**

- ¹ 'Other' includes, for example, Stamp Taxes, Inheritance Tax, alcohol and tobacco duties, Insurance Premium Tax, Capital Gains Tax, student loan recoveries, customs duties, and fines and penalties.
- Values are in nominal terms, which means they are not adjusted for inflation, to maintain consistency with HMRC's Annual Report and Accounts.
- Figures may not sum due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs Trust Statements 2020-21 to 2024-25

Receivables, impairments and revenue losses

Receivables

1.3 Receivables represent taxpayer liabilities to HMRC that have been established but not yet received. They can include taxes, duties, penalties and interest charges owed by individuals and businesses. As at 31 March 2025, the receivables balance was £69.0 billion (March 2024: £60.8 billion).

1.4 In addition to receivables, HMRC estimates that a further £148.1 billion at 31 March 2025 (March 2024: £146.5 billion) of taxes are not yet due from taxpayers but relate to 2024-25 revenues where a tax return has not been received from the taxpayer by the end of the reporting period. Of this, £58.3 billion related to Income Tax and £47.3 billion to VAT.

Tax debt

1.5 When a receivable becomes overdue for payment and is not under appeal, it becomes a debt. As at 31 March 2025, HMRC's tax debt balance was £42.8 billion, £0.2 billion (0.5%) less than the tax debt reported at 31 March 2024 (**Figure 2**).^{4,5} As a proportion of annual revenues, tax debt reduced from 5.1% at 31 March 2024 to 4.9% at 31 March 2025. During 2024-25, the number of taxpayers in debt decreased from 8.3 million to 8.0 million. The tax debt balance is lower than the £68.5 billion reported at the height of the pandemic but remains significantly higher than the pre-pandemic level. In the five years between 2015-16 and 2019-20, tax debt was typically around £15 billion, or 2.5% of tax revenues. The wider economic impact of the pandemic, and HMRC's decision to suspend most debt collection, led to a large increase in 2020-21 in the amount of tax owed to HMRC.

1.6 New taxpayer debt fell 7% in 2024-25, from £103.5 billion in 2023-24 to £96.7 billion in 2024-25. In 2024-25, HMRC cleared slightly less tax debt (£96.1 billion) than new debt (£96.7 billion), while the amount of total tax debt paid by taxpayers decreased by 9% from £81.2 billion in 2023-24 to £73.7 billion in 2024-25. Overall, the tax debts held by HMRC are becoming older on average and therefore less likely to be paid. At March 2025, around 46% of the tax debt by value was aged over a year (compared with 44% at March 2024, and 25% at March 2020), and 20% three years or older (March 2024: 17%).⁶

4 In addition to tax debt, HMRC was owed £1.2 billion in tax credits debt at 31 March 2025, down from £1.6 billion at 31 March 2024.

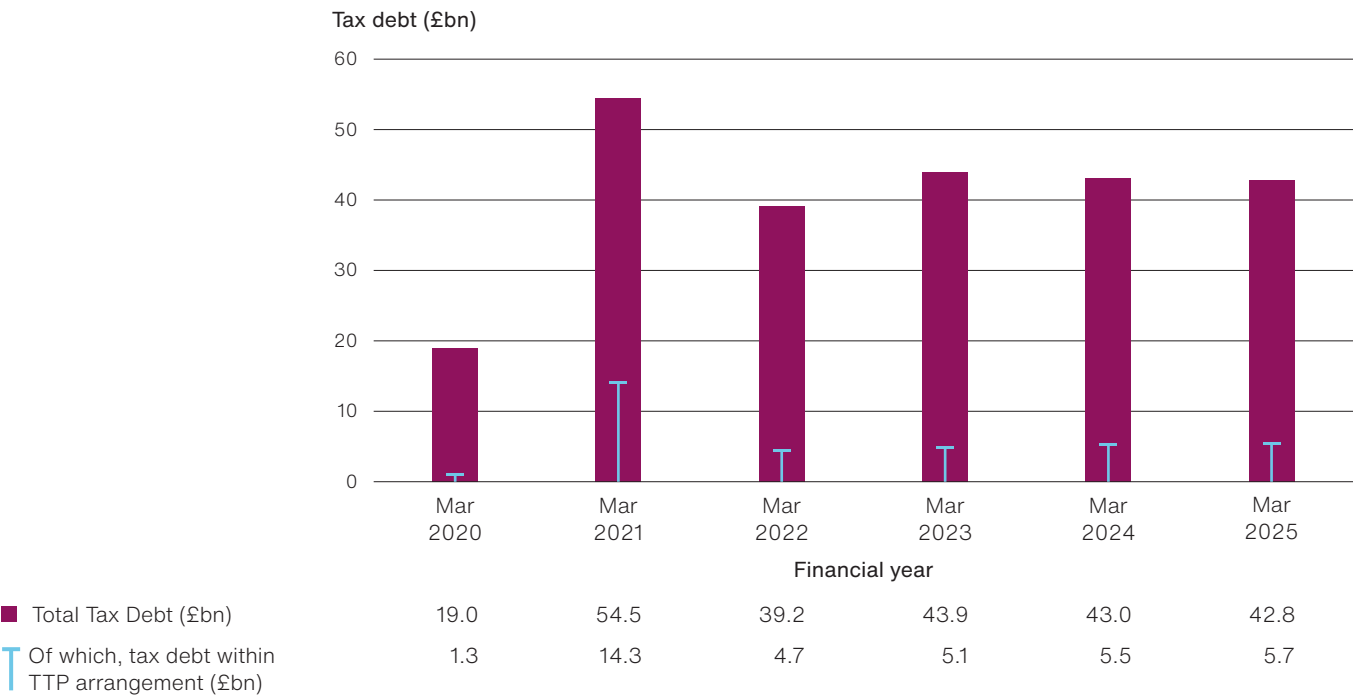
5 This figure refers to gross tax debt. Gross tax debt represents legally enforceable tax that is overdue. Overdue tax is considered for recoverability using information on collection rates and trends in tax debt recoveries over a number of years. This debt is then impaired based on these trends in relation to the age of the debt, with older debts attracting a higher impairment rate as they are deemed to be less collectible. Net tax debt represents the impaired value of gross tax debt disclosed in Note 4.3.1 of the Trust Statement.

6 Estimates based on operational data provided by HMRC.

Figure 2

HM Revenue & Customs’ (HMRC’s) tax debt balance, including the amount of tax debt that is within a Time to Pay (TTP) arrangement, March 2020 to March 2025

Between March 2024 and March 2025, HMRC’s tax debt balance reduced from £43.0 billion to £42.8 billion



Notes

- 1 Data are as at the end of the month.
- 2 The tax debt within a Time to Pay arrangement is the total value of tax debt for which HMRC has agreed a monthly payment plan with the customer in debt. It is part of the total tax debt balance.

Source: National Audit Office analysis of HM Revenue & Customs data

1.7 HMRC considers that the level of ‘managed debt’, particularly debt that is within a Time to Pay arrangement, is a good indicator of its debt management performance.⁷ In 2024-25, this level decreased from the previous year (£6.3 billion compared with £6.6 billion in 2023-24). However, the amount within a Time to Pay arrangement increased from £5.5 billion (12.9% of tax debt) at 31 March 2024 to £5.7 billion at 31 March 2025 (13.4%) (Figure 2).⁸

7 The tax debt within a Time to Pay arrangement is the total value of tax debt for which HMRC has agreed a monthly payment plan with the customer in debt. It is part of the total tax debt balance.

8 In addition to debt within a Time to Pay arrangement, managed debt also includes debt where HMRC considers that it has reached the end of its processes for pursuing and which may be considered for remission. These debts comprised £0.6 billion at 31 March 2025 (March 2024: £1.0 billion).

1.8 HMRC's debt management function has received significant investment from HM Treasury at previous fiscal events. At the Autumn Budget 2024 and the Spring Statement 2025, HMRC received a total of £629 million over the next five years to improve its capacity to manage tax debts.⁹ Most of this funding (£376 million) was for additional HMRC staff to increase revenue. HMRC told us it is using this investment in several ways.

- **Increasing the number of staff in its debt management function.** It told us it recruited around 700 additional full-time equivalent (FTE) staff in 2024-25, as funded in the Autumn Statement 2023. Comparing 2023-24 with 2024-25, the net increase in debt management FTE staff was around 490. The 2024 Autumn Budget provided funding for an additional 1,800 debt management staff over the next five years, with the 2025 Spring Statement funding a further 600 staff. HMRC told us it will use the Autumn Budget funding to retain 1,200 existing FTE debt management staff, where funding was due to run out, and to recruit 600 new FTE staff from 2026-27.
- **Funding its use of debt collection agencies (DCAs).** In 2024-25, HMRC increased its use of DCAs, recovering £1.4 billion for a spend of £41 million. This gave a return on investment from its use of DCAs of £34.58 for every £1 spent, down slightly from 2023-24 (£37.36 for every £1 spent), but notably higher than the returns in prior years. HMRC told us it is evaluating the use of DCAs on older debt in 2025-26, to see if this improves collection and to provide more information about the collectability of debts.
- **Improving its ability to segment taxpayers by purchasing data from credit reference agencies (CRA).** HMRC told us it rolled out use of CRA data for Income Tax Self Assessment, and plans to extend this to VAT, Pay As You Earn and Corporation Tax in 2025-26. To support its restart of direct recovery of tax debts,¹⁰ HMRC also plans to test whether it can use CRA data to better target its debt recovery actions.
- **Updating HMRC's debt management case system.** The Autumn Budget 2024 provided £154 million to modernise HMRC's IT and data systems. HMRC told us that this will be rolled out to all tax regimes by 2029-30, with a major milestone in 2026-27 being roll-out to Income Tax Self Assessment customers. The new system seeks to bring all the information HMRC holds on a customer into one place, to support staff to work more efficiently when dealing with customers.

⁹ Between the Spring Budgets 2023 and 2024, HMRC received a total of £350 million to improve its debt management function for the period up to 2028-29, primarily for additional staff and work with debt collection agencies.

¹⁰ HMRC's direct recovery powers enable it to recover debt directly from cash held in bank and building society accounts, in credit, of debtors who have the means to pay but choose not to do so.

Impairments

1.9 There is a risk that some of the receivables balance will not be collected. HMRC estimates the amounts that may not be recovered from taxpayers – for instance, where the taxpayer is experiencing financial difficulty – and processes a reduction to the receivables balance in the accounts to reflect this, known as an ‘impairment’. The amount that HMRC has estimated that it may not be able to collect increased from £27.6 billion in 2023-24 to £30.2 billion in 2024-25, although it decreased as a percentage of all receivables, from 45.4% to 43.8%. For 2024-25, HMRC says the increase in the total value of impairments is due to an increase in amounts awaiting write-off or remission, particularly due to insolvency, which are impaired at 100%.

Losses

1.10 In certain cases, HMRC stops debt collection activity and incurs a ‘revenue loss’ – such losses are likely to relate to amounts due in earlier financial years. Revenue losses increased by 28.7% between 2023-24 and 2024-25, from £5.6 billion to £7.2 billion, with 40.4% (£2.9 billion) relating to VAT debt. There are two forms of revenue losses: write-offs of £6.0 billion during 2024-25 (£5.0 billion in 2023-24) and remissions of £1.2 billion in 2024-25 (£0.6 billion in 2023-24). Write-offs are where debts are irrecoverable because there is no practical means of pursuing the liability. Remissions are where HMRC decides not to pursue the liability on value-for-money or hardship grounds. Revenue losses are mainly driven by individual and corporate insolvencies. Corporate insolvencies in England and Wales decreased by 4% between 2023-24 and 2024-25, but remain high by historical standards. The increase in write-offs in 2024-25 reflects a combination of the continuing high levels of corporate insolvencies and an increase in HMRC’s tracing activity, which identified a greater number of untraceable customers. HMRC also told us that it carried out more bulk remissions in 2024-25, for example, it remitted around £860 million of Self Assessment debts, primarily low-value debts from former Self Assessment customers which HMRC did not consider cost-effective to pursue.

Tax compliance

Tax gap

1.11 HMRC defines the tax gap as “the difference between the amount of tax that should, in theory, be paid to HMRC, and what is actually paid”.¹¹ The tax gap occurs for a number of reasons. Some taxpayers make mistakes, others choose not to comply, and some cannot pay because of insolvency. In other cases, taxpayers interpret tax rules differently from HMRC, which can affect the amount of tax they pay. HMRC publishes its tax gap estimates each year. The accounting framework under which HMRC produces its accounts means that the tax gap is not included in its annual Trust Statement.

¹¹ HM Revenue & Customs’ Measuring tax gaps 2025 edition is available at: www.gov.uk/government/statistics/measuring-tax-gaps

1.12 On 19 June 2025 HMRC published its latest estimates for the tax gap. It has estimated that the tax gap for 2023-24 – the latest year for which data are available – was 5.3% of total theoretical tax liabilities, or £46.8 billion against total theoretical liabilities of £876 billion. As for previous years, HMRC's estimate of total theoretical liabilities used for the tax gap calculation differs from total tax revenues: in 2023-24, total tax revenues were £843.4 billion, which is £32.6 billion less than its estimate of total theoretical liabilities. We reported last year that the difference between HMRC's estimate of total theoretical liabilities and revenue was less, at £9.8 billion. HMRC acknowledges that its figures are uncertain and that it may revise these figures in later years as it gets more data. In its latest publication, HMRC revised upward its estimate of the tax gap for 2022-23, from £39.8 billion (4.8% of total theoretical liabilities) to £46.4 billion (5.6% of total theoretical liabilities), mainly because it incorporated additional information received through its enquiries with taxpayers and updated data on consumer spending into its estimates.¹² HMRC estimates the tax gap has remained relatively stable over the longer-term, being at or below 5.8% since 2016-17. HMRC told us that it will use progress against compliance yield targets as the main measure of success against its new objective of closing the tax gap, given the uncertainties and availability of its tax gap estimates.

1.13 The tax gap split by different types of tax is shown in **Figure 3**.¹³ In 2023-24, the Corporation Tax gap increased the most in monetary terms and is now £18.6 billion – £3.1 billion more than in 2022-23 (£15.5 billion) and more than the tax gap for personal income taxes (£14.7 billion). The total monetary value of the tax gap for VAT decreased from £13.1 billion in 2022-23 to £8.9 billion in 2023-24 (see Figure 3). Despite the large increase in monetary terms, the Corporation Tax gap fell as a proportion of theoretical liabilities for Corporation Tax. By customer group, the proportion of the tax gap made up by small businesses remains higher than any other group, increasing to a 60% share of the total tax gap, compared with 56% in 2022-23. HMRC said that the small businesses Corporation Tax gap is a key driver of this increase, alongside an increase in the proportion of small businesses with incorrect tax returns. The most prevalent form of non-compliance was taxpayers failing to take reasonable care, which accounted for £14.6 billion (31%) of the total tax gap in 2023-24, up from £13.3 billion (29%) in 2022-23.

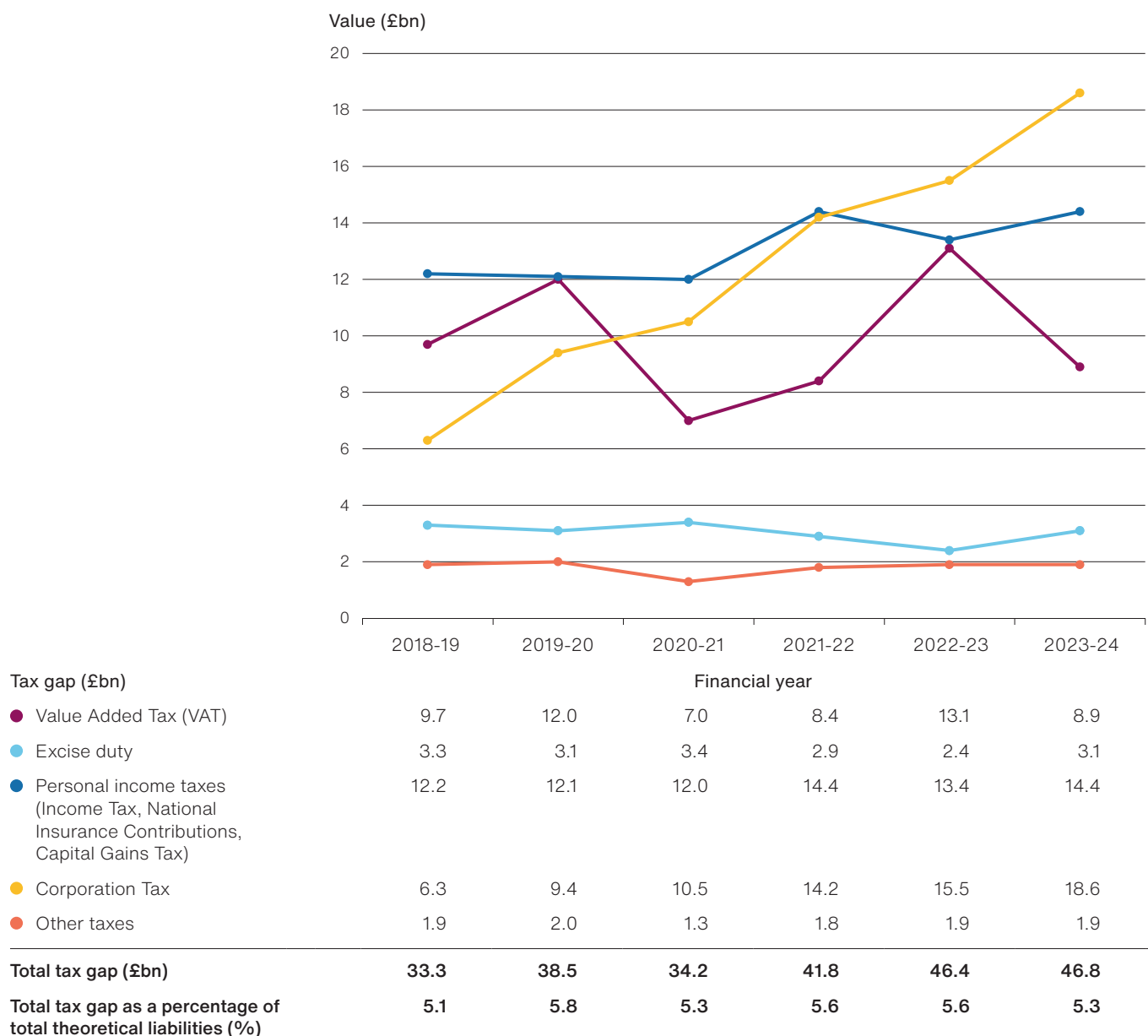
¹² The biggest component of the revision was an increase in the VAT tax gap.

¹³ HMRC revises estimates from previous years when it obtains further data. HMRC revised up its VAT tax gap estimate for 2022-23 by £5 billion, primarily due to updated data on consumer expenditure from the Office for National Statistics. It also revised up its estimate for Corporation Tax, mainly due to increases in the small businesses Corporation Tax gap derived from random enquiry programme data. A random enquiry programme is when HMRC randomly selects a sample of taxpayers for more detailed scrutiny and enquiry.

Figure 3

HM Revenue & Customs' (HMRC's) estimates of tax gap by types of tax, 2018-19 to 2023-24

The tax gap for Corporation Tax and Excise duty increased in monetary terms in 2023-24, whereas the VAT gap decreased

**Notes**

- 1 The tax gap is HMRC's estimate of the difference between the total taxes theoretically owed and those actually paid.
- 2 Total theoretical liabilities are HMRC's estimate of the total amount of tax theoretically owed. The tax gap is generally presented as a proportion of this.
- 3 The values presented are in nominal terms, which means they have not been adjusted for inflation.
- 4 'Other taxes' includes stamp duties, Inheritance Tax, Landfill Tax and other taxes, levies and duties.
- 5 Estimates shown are the most recently revised version as at time of publication, which may differ from estimates presented in previous reports.

Source: National Audit Office presentation of HM Revenue & Customs data

1.14 In October 2024, HMRC published its first estimate of undeclared foreign income held in offshore accounts, part of the offshore tax gap. HMRC estimated that, in 2018-19, £300 million in tax was lost due to UK residents failing to disclose their foreign income from some accounts held in countries automatically exchanging account information with the UK in 2017 and 2018. HMRC's estimate largely covers non-compliance relating to individuals' offshore savings income and excludes other forms of foreign earnings, such as trading profits, some dividends, and other investment income from assets not held through a financial institution. It also does not include bank accounts held in trust or on behalf of a beneficiary, or non-financial assets such as property held directly by individuals. Our May 2025 report, *Collecting the right tax from wealthy individuals*, recommended that HMRC should continue to improve its assessment of the offshore tax gap and consider how it can provide the public with greater transparency about the amount of tax that wealthy individuals pay, and the contributions of the different segments within it.

Compliance activities and compliance yield

1.15 Compliance activities can take many different forms. These can include disrupting organised criminal groups or tackling the use of tax avoidance schemes, as well as measures to promote compliance and prevent non-compliance, such as guidance to taxpayers and changes to administrative or filing processes, for instance through HMRC's Making Tax Digital programme. The aim of HMRC's compliance work is for everyone to pay the right tax that is legally due. It considers that its role is to help people to pay the right tax through well-designed systems (preventing non-compliance), to provide education (promoting compliance), and to step in when tax is at risk of not being paid (responding to non-compliance).

1.16 HMRC measures the effectiveness of its compliance and enforcement activities through compliance yield – that is, the estimate of the additional revenue that HMRC considers it generated, and the revenue losses it prevented. Its agreed target with HM Treasury and ministers for compliance yield in 2024-25 was set at a level which assumed that HMRC's core activities maintained the tax gap, with additional revenue expected from measures funded in previous fiscal events.¹⁴ Total compliance yield in 2024-25 was £48.0 billion, a 14.9% increase compared with 2023-24 (£41.8 billion). Compliance yield for 2024-25 was £2.6 billion higher than the target of £45.4 billion. HMRC's compliance yield target for 2025-26 is £50.4 billion.

1.17 HMRC's compliance yield in 2024-25 represents 5.5% of total revenues. This is higher than both the proportion seen in 2023-24 (5.0%) and the five-year average of 5.2% achieved between 2015-16 and 2019-20 before the pandemic (**Figure 4**).

¹⁴ Given the new objective to close the tax gap, future targets for compliance yield will be set to reduce the tax gap, rather than maintain it.

Figure 4

Compliance yield compared with total revenues, 2016-17 to 2024-25

HM Revenue & Customs (HMRC) achieved a compliance yield of £48 billion in 2024-25, representing 5.5% of total tax revenues**Notes**

- 1 Compliance yield is defined by HM Revenue & Customs as the revenue collected and protected that would otherwise have been lost to the Exchequer if not for its interventions.
- 2 Values are in cash terms and have not been adjusted for inflation, to align with conventional reporting of tax revenues. To illustrate how compliance yield performance has changed over time, we have also included it as a proportion of total revenues on a secondary axis.

Source: National Audit Office analysis of HM Revenue & Customs data

1.18 The rise in compliance yield between 2023-24 and 2024-25 was mainly driven by increases in upstream yield (**Figure 5**). HMRC's compliance strategy is to focus increasingly on upstream work, encouraging voluntary compliance and preventing non-compliance, which it considers more cost-effective and better for taxpayers if it helps them to get their tax right the first time. HMRC achieved its target, which was that its upstream work should contribute at least 25% of total compliance yield: in 2024-25, the upstream yield constituted 41% of HMRC's compliance yield, up from 33% in 2023-24.

1.19 Two recent reports published by the National Audit Office have concluded that HMRC could do more to tailor its compliance work to the risks of non-compliance affecting specific taxpayers or sectors.

- Our May 2025 report *Collecting the right tax from wealthy individuals*¹⁵ found that HMRC recognised that it needs to give the risk posed by wealthy individuals much greater prominence. The report recommended that HMRC should ensure it has a comprehensive and ambitious strategy to tackle non-compliance among the wealthiest individuals.
- Our September 2024 report *Tackling tax evasion in high street and online retail*¹⁶ concluded that HMRC's assessment of risks had given too little emphasis to widely used methods of evasion such as sales suppression and phoenixism,¹⁷ despite identifying that they were large and potentially growing. We recommended that HMRC should demonstrate it has a sufficient strategic focus to tackling tax evasion in key areas of risk.

1.20 HMRC takes individual action against taxpayers who it considers to have been non-compliant. In 2024-25, HMRC opened 333,000 compliance cases (2023-24: 311,000) and closed 316,000 (2023-24: 320,000). It told us that it had a total of 156,511 open compliance cases as of 31 March 2025, compared with 156,406 at the end of 2023-24. As the nature of cases opened and closed can vary in complexity and duration, HMRC's mix of compliance activity will change year on year, so it considers compliance yield rather than the number of cases opened or closed to be the key measure of compliance performance.

¹⁵ Comptroller and Auditor General, *Collecting the right tax from wealthy individuals*, Session 2024-25, HC 876, National Audit Office, May 2025.

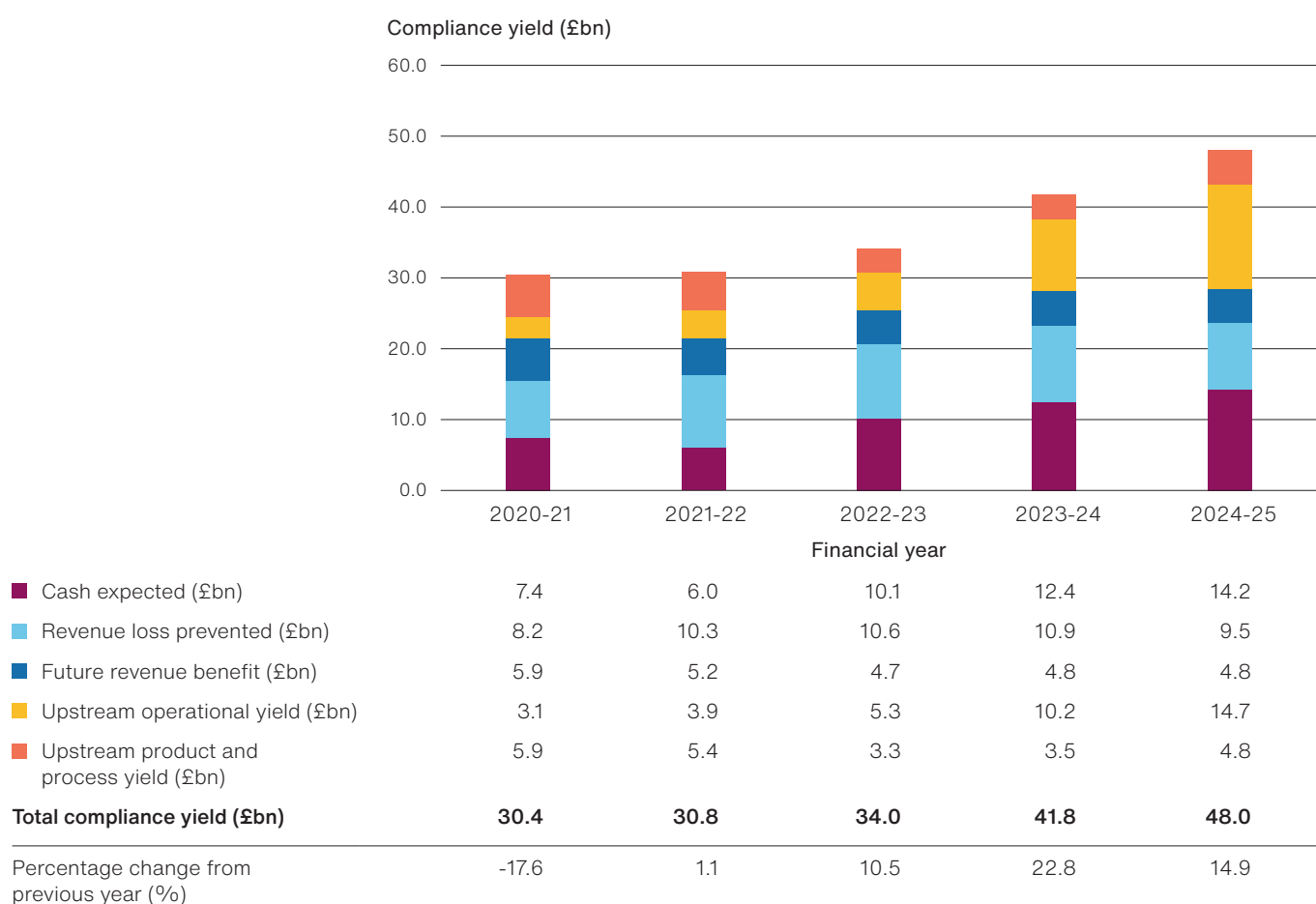
¹⁶ Comptroller and Auditor General, *Tackling tax evasion in high street and online retail*, Session 2024-25, HC 229, National Audit Office, September 2024.

¹⁷ Phoenixism refers to companies artificially dissolving and reappearing.

Figure 5

Compliance yield performance by category, 2020-21 to 2024-25

Compliance yield increased or remained stable in four out of five categories

**Notes**

- 1 Compliance yield is defined by HM Revenue & Customs (HMRC) as the revenue collected and protected that would otherwise have been lost to the Exchequer if not for its interventions.
- 2 HMRC's definition of the compliance categories:
 - Future revenue benefit – Estimate of the effect of HMRC's compliance work on taxpayers' future behaviour.
 - Upstream operational yield – Estimate of the impact of HMRC's operational activities undertaken to promote compliance and prevent non-compliance before it occurs.
 - Upstream product and process yield – Estimate of the net tax receipts from legislative changes to close tax loopholes, and changes to HMRC's processes that reduce opportunities to avoid or evade tax.
 - Revenue loss prevented – Estimate of the tax revenue that HMRC has prevented from being lost to the Exchequer (for example, by stopping fraudulent repayment claims and disrupting criminal activity).
 - Cash expected – Estimate of the amount of additional revenue paid when HMRC identified past non-compliance.
- 3 The values presented in this figure are in nominal terms, which means they have not been adjusted for inflation.
- 4 Figures may not sum due to rounding.

Source: National Audit Office presentation of HM Revenue & Customs data

1.21 HMRC's criminal investigations resulted in 557 positive charging decisions¹⁸ and 310 prosecutions¹⁹ in 2024-25 (2023-24: 501 positive charging decisions and 344 prosecutions), still significantly lower than the 691 prosecutions in 2019-20. HMRC told us that it was seeking to increase its criminal work in the coming years, as a result of obtaining funding for an additional 5,500 compliance staff over the next five years in the 2024 Autumn Budget and 2025 Spring Statement. In May 2025, HMRC announced that it aimed to increase the number of charging decisions for the most harmful fraud by 20%, from 500 to 600 decisions per year by 2029-30.

1.22 Fraud and cyber attacks present a continuous threat for HMRC, and security and data protection remain as key red-rated risks. HMRC estimated it had prevented revenue loss of around £2 billion from attempted fraud in 2024-25. In June 2025, HMRC published details of a large-scale Pay As You Earn (PAYE) fraud, where organised criminals had stolen personal data from external sources to register for individuals' Personal Tax Accounts (PTAs) or used phishing techniques to obtain sign-in details from existing customers for their PTAs. HMRC estimated that around 100,000 customer accounts had been affected, and that around £49 million had been fraudulently claimed as repayments as a result of the PAYE activity. In December 2023, HMRC identified a large-scale fraud attempt using the PAYE service and, during 2024, that multiple criminal groups were using a variety of methods to exploit this. It told us that, as of June 2025, it had made significant progress in addressing the fraud, including closing accounts, halting fraudulent repayments, and upgrading its processes and controls, with several live investigations and arrests made. HMRC reported it was confident that no customers have experienced, or will experience, any financial loss in respect of their tax affairs as a result of this fraud.

1.23 At the Autumn Budget 2024, the government set out its ambition to close the tax gap, announcing a wide range of measures aimed at increasing compliance. Measures included: increasing HMRC's powers and sanctions against tax adviser facilitated non-compliance, ending potential loopholes like contrived car ownership schemes, measures against rogue company directors (phoenixism) and umbrella companies, expanding capability to address high-value and high-harm tax fraud and avoidance, and increasing compliance activity against serious offshore non-compliance. The government allocated HMRC £1.4 billion in funding over five years, to recruit 5,000 compliance staff by 2029-30, with a further allocation in the Spring Statement 2025 of £100 million to recruit 500 more compliance staff. This additional investment in compliance staff is expected to support HMRC in delivering an additional £7.5 billion in tax revenue annually by 2029-30. HMRC plans to increase the compliance workforce primarily by expanding its entry-level trainee programme, with new staff expected to be fully productive after four years, following an initial nine months of training. Evidence from HMRC shows that it increased its compliance staff by 700 in 2024-25, compared with 2023-24.

¹⁸ Positive Charging Decisions (PCDs) are the actual decisions made by independent prosecuting authorities to authorise the charging of an individual.

¹⁹ Prosecutions are the total number of cases which have gone before the courts, including pre-trial guilty pleas.

Customer service performance

1.24 HMRC measures its customer service performance using seven priority metrics, which seek to measure how easy or hard it is for taxpayers to access services, and whether HMRC has helped taxpayers to resolve their queries. In 2024-25, HM Treasury set target levels for five of these metrics. In 2024-25, HMRC missed them all, but performance improved from 2023-24 levels for three of these measures and remained broadly stable for the other two (**Figure 6**).

Figure 6

HM Revenue & Customs' (HMRC's) performance for seven key customer service measures, 2021-22 to 2024-25

HMRC's performance on its telephone lines improved in 2024-25

Measure	2021-22 outturn	2022-23 outturn	2023-24 outturn	2024-25 outturn	HMRC's target for 2024-25	Performance trend since 2023-24
Net Easy – phone, webchat and digital services ¹ (ease of dealing with HMRC)	65.5	59.8	59.2	62.2	70	Improving
Customer satisfaction with phone, webchat and digital ²	82.0%	79.2%	78.6%	79.7%	80%	Improving
Telephony adviser attempts handled ³	77.3%	71.1%	66.4%	71.5%	85%	Improving
Customer correspondence (post and iForms) cleared within 15 working days of receipt ⁴	45.5%	72.7%	76.3%	76.9%	80%	Improving
Customer correspondence (post and iForms) cleared within 40 working days of receipt ⁴	64.1%	89.4%	88.9%	88.2%	95%	Reducing
Webchat adviser attempts handled ^{5,7}	92.9%	94.7%	95.9%	94.3%	–	Reducing
Once and Done ^{6,7} (whether a customer achieved all they wanted during the contact)	N/A	84.4%	84%	85.5%	–	Improving

Notes

- 1 An exit survey conducted on a self-selecting sample of customers using telephone, webchat and digital services. The survey question is "How easy was it to deal with us today?" The figures represent the total of positive responses minus the total of negative responses. The score that can be achieved ranges from -100 to 100.
- 2 A survey-based measure of the percentage of HMRC customers who responded that they were either "satisfied" or "very satisfied" with the service. This is based on a self-selecting sample of customers of telephone, webchat and digital services.
- 3 The proportion of callers who got through to an adviser after hearing the automated messages and choosing the option to speak to an adviser.
- 4 Targeted post and iForms requiring a response to the customer cleared within 15 and 40 days divided by total targeted post and iForms requiring a response to the customer received. The day of receipt is counted as day zero. iForms can be filled in and filed online.
- 5 The proportion of customers taking up a webchat offer that successfully got through to a webchat adviser.
- 6 The proportion of customers who responded "yes" when asked whether they were able to achieve what they needed to that day.
- 7 HMRC has identified 'webchat adviser attempts handled' and 'Once and Done' as priority measures since 2022-23 but has not set targets for these.
- 8 This figure covers those measures listed as priorities in HMRC's published quarterly performance updates, plus the 40 working day customer correspondence measure which HM Treasury set a target for.

Source: National Audit Office analysis of HM Revenue & Customs data

1.25 HMRC performance data show that it received 33.5 million calls from customers in 2024-25, 8.7% fewer than in 2023-24 (36.7 million) and answered 71.5% compared with 66.4% the previous year, against a target of 85% (**Figure 7**). The average waiting time for customers who asked to speak to an adviser reduced from 23:14 (23 minutes and 14 seconds) in 2023-24 to 18:38 in 2024-25, but remains well above the average of 06:39 in 2019-20. HM Treasury provided HMRC with an additional £51 million in funding in May 2024 to support its customer service operations which has driven improvements in its performance in 2024-25, particularly by enabling it to recruit staff to improve performance on its telephone services.

Figure 7

HM Revenue & Customs' (HMRC's) customer service performance against other performance measures, 2019-20 to 2024-25

HMRC's average speed of answering calls has reduced in 2024-25, but is still above the pre-pandemic average

Measure	2019-20 outturn	2020-21 outturn	2021-22 outturn	2022-23 outturn	2023-24 outturn	2024-25 outturn	Performance trend since 2023-24
Average speed of answering calls to HMRC helplines (queue times in minutes and seconds) ¹	06:39	12:04	12:22	16:24	23:14	18:38	Improving
Percentage of customers waiting more than 10 minutes to speak to an adviser ¹	29.9%	44.7%	46.3%	62.7%	70.7%	60.6%	Improving
Average time to handle new tax credits and Child Benefit claims and changes of circumstances – UK customers	13.2 days	11.2 days	15.4 days	14.2 days	16.0 days	32.3 days ⁴	Declining ⁴
Average time to handle new tax credits and Child Benefit claims and changes of circumstances – international customers	65.7 days	64.8 days	84.1 days	134.1 days	84.8 days	85.7 days ⁴	Declining ⁴
Customer satisfaction with digital services ²	81.6%	85.2%	83.6%	82.7%	83.1%	82.9%	Declining

Notes

- 1 Average speed of answering calls refers to the time customers spend in the queue waiting for an adviser. Both metrics exclude the time customers are in HMRC's automated telephony system before entering the queue. Historically, HMRC had been reporting against customer-facing telephone numbers (such as Tax Credits, Pay As You Earn and Self Assessment). From 2021-22, all HMRC helplines are included in the measure.
- 2 Customer satisfaction with digital services refers to a survey-based measure of the percentage of HMRC customers who responded that they were either 'satisfied' or 'very satisfied' with the digital service that they have used. This is based on a self-selecting sample of customers.
- 3 HMRC does not set a target for the measures included in this figure.
- 4 This metric only reflects claims that require manual processing. Between February 2023 and July 2024, HMRC implemented a new digital service for Child Benefit. Claims processed using only the new digital service take around three days from application to payment, but these cases are not included in this metric shown here. During 2024-25, HMRC did not process any new Tax Credit applications from either domestic or international customers, as new customers would claim Universal Credit, which is administered by the Department for Work & Pensions. HMRC continued to process changes for both domestic and international Tax Credits customers up to the middle of 2024-25, at which point Tax Credits fully transitioned to the Universal Credit system.

Source: National Audit Office analysis of HM Revenue & Customs performance data

1.26 The proportion of calls that were answered when a customer asked to speak to an adviser increased throughout 2024-25, from 53.5% in April 2024 to 80.2% in March 2025, and HMRC exceeded the 85% target in two months of the year. HMRC attributed this improvement to the impact of the additional funding it received in May 2024, and to its ongoing efforts to reduce demand on its telephone lines by encouraging customers to use digital services.

1.27 HMRC has improved its performance in handling correspondence in 2024-25. The level of correspondence handled within 15 working days was 76.9% in 2024-25, compared with 76.3% in 2023-24. While HMRC has yet to meet its target of 80%, correspondence handling shows a year-on-year improvement since 2021-22 (Figure 6). The number of items of correspondence HMRC handled within 40 working days decreased in 2024-25, but by just 0.7% (from 88.9% in 2023-24 to 88.2% in 2024-25). Taxpayers' satisfaction with HMRC's customer services very slightly increased in 2024-25, with 79.7% of customers reporting they were satisfied with the service they received compared with 78.6% in 2023-24.²⁰ HMRC's performance against its Net Easy and Once and Done service standards²¹ also improved compared to 2023-24, indicating that customer experience generally improved when compared to the previous year.

1.28 The number of customers using HMRC's digital services has generally increased in 2024-25 compared with previous years. Data shows that 19.72 million users used the PTA in 2024-25 to log in for 129.7 million sessions, compared with 17.74 million users and 110.55 million sessions in 2023-24. 5.94 million users logged into the HMRC app for 124.51 million sessions in 2024-25, compared with 3.83 million users and 88.48 million sessions in 2023-24. Use of HMRC's webchat facilities reduced from 1.25 million in 2023-24 to 0.96 million in 2024-25, but interactions with HMRC's automated 'digital assistant' increased to 6.12 million in 2024-25 from 5.05 million in 2023-24. HMRC's digital services continue to get the highest customer satisfaction scores, with 82.9% of customers across all digital services reporting being 'satisfied' or 'very satisfied' with their experience in 2024-25.

²⁰ This measure refers to overall customer satisfaction, including telephone, webchat and digital services.

²¹ Net Easy is the outcome of a survey conducted on telephone, webchat and digital services. The survey question is "How easy was it to deal with us today?" The figures represent the total of positive responses minus the total of negative responses. The score that can be achieved ranges from -100 to 100. Once and Done is the proportion of customers who responded 'yes' when asked whether they were able to achieve what they needed to that day.

HMRC's strategy for improving customer services

1.29 In 2024-25, HMRC focussed on reducing demand on its telephony and correspondence services, primarily by improving guidance and digital options which allow customers to self-serve. HMRC estimates that this has helped increase to over 95% the percentage of customers who use its online guidance without then going onto one of its online 'contact us' pages within five days. Alongside this, the 2021 Spending Review and a subsequent efficiency and savings review in 2022-23 set challenging efficiency targets for HMRC, including saving around £140 million by 2024-25 in its customer services work. HMRC was able to achieve efficiency savings of £118 million in its customer service operations by the end of 2024-25, and told us that it planned to implement further efficiency plans in 2025-26, centred around increasing its digital capacity.

1.30 HMRC has continued to implement new digital services to support its customers, continuing its 'digital first' approach to customer services. At the same time, its adviser-led channels are aimed at customers who need extra support or assistance with complex queries. In 2024-25, HMRC introduced improved digital services for PAYE customers to update their income, allowances, reliefs and expenses, and has improved outbound communications by sending customers text messages, emails and push notifications to remind them to complete tasks and provide reassurance. HMRC noted remaining challenges around working with ageing legacy systems, and difficulties collating communications data to understand how customers have engaged with HMRC and how effectively digital services have contained customers' queries. HMRC aims for 90% of all customer interactions to be digital by 2029-30.

Costs to HMRC

1.31 Our 2025 report on *The administrative cost of the tax system*²² found that HMRC's costs of administering the tax system increased by 15% (£563 million) in real terms between 2019-20 and 2023-24, similar to the increase in tax revenue (16%). Most of this increase was for compliance activity; overall customer service costs were largely stable. The report identified four main types of cost pressure.

- **Impacts of tax policy changes:** Between 2022 and 2024, based on information published in Tax Impact and Information Notes (TIINs), HMRC estimated a total increase of around £875 million in its administrative costs.
- **Increases in taxpayer numbers:** For example, more taxpayers being liable for Income Tax because of tax band freezes.

²² Comptroller and Auditor General, *The administrative cost of the tax system*, Session 2024-25, HC 675, National Audit Office, February 2025.

- **Changes in HMRC staff numbers:** The size, and seniority, of HMRC's tax workforce increased between 2019-20 and 2023-24.
- **Digital costs:** Alongside increased running costs for digital systems, in 2023-24 HMRC spent £482 million to develop new systems and upgrade legacy systems.

1.32 Such pressures persisted in different aspects of HMRC's operations in 2024-25. For example, the number of personal income taxpayers rose by 4% to 38.0 million in 2024-25 compared with the previous year, which particularly affected customer services. In 2024-25, HMRC also had a higher efficiency savings target of £719 million (including one-off savings): it reported it achieved £724 million. Our report noted that efficiency targets have proved difficult to achieve without compromising services.

1.33 The 2024 Autumn Budget announced investment to modernise and reform HMRC, in order to improve the productivity and resilience of HMRC's internal systems.²³ Our report found evidence that parts of the system had the potential to increase efficiency and productivity. It also noted that enhanced digitalisation, while increasing revenue, had not yet reduced running costs.

²³ One of HMRC's new strategic objectives from July 2024 is reform and modernisation of Tax and Customs administration.

Part Two

Corporation Tax research and development reliefs, benefits and credits

2.1 This part sets out the reason and context for the qualified opinion for Corporation Tax research and development (R&D) reliefs, Personal Tax Credits and Child Benefit, including an overview of HM Revenue & Customs' (HMRC's) estimate for error and fraud and the developments in tackling error and fraud in the administration of these reliefs, as applicable.

Corporation Tax R&D reliefs tax credits

2.2 HMRC is responsible for administering Corporation Tax R&D reliefs, which support companies that work on innovative projects in science and technology. The reliefs can be claimed by a range of companies that carry out research or seek to make an advance in the field. For accounting periods beginning on or after 1 April 2024, R&D claims are made under either the new merged R&D expenditure credit (merged RDEC) scheme or the enhanced R&D intensive support (ERIS) scheme. These replace the previous RDEC and small and medium-sized enterprise (SME) schemes.

2.3 Companies claiming under the merged RDEC scheme receive an R&D expenditure credit of 20%, and companies claiming under the ERIS scheme are able to deduct an extra 86% of their qualifying costs in calculating their adjusted trading loss and to claim further payable tax credits worth up to 14.5% of their surrenderable loss. Companies can claim under the ERIS scheme if they meet the definition of a loss-making SME that has eligible R&D expenditure of at least 30% of its total expenditure. If a company does not meet these criteria, it can only claim under the merged RDEC scheme. The R&D relief schemes are complex and have proved attractive to those seeking to abuse them, given the enhanced rates of reliefs and the receipt of cash payments through expenditure credits. Over recent years, and in response to the levels of error and fraud estimated by HMRC, R&D tax reliefs have been subject to significant changes, including the introduction of the new merged RDEC scheme and ERIS scheme as described above. More detail on the further changes HMRC has made are described in paragraph 2.5.

2.4 HMRC operates both schemes as part of administering the Corporation Tax system, the revenues from which HMRC reports in its Trust Statement. HMRC's Resource Accounts report expenditure on the schemes because they often result in cash payments (expenditure), unlike most other types of tax relief.

2.5 Note 4.1.4 to the Resource Accounts records Corporation Tax R&D reliefs expenditure of £7.6 billion in 2024-25 (£9.4 billion in 2023-24). Of this, £4.7 billion (£4.9 billion in 2023-24) relates to the RDEC scheme, and £3.0 billion (£4.5 billion in 2023-24) to the SME scheme. The proportion of estimated expenditure claimed through the RDEC scheme has increased from 52% in 2023-24 to 61% in 2024-25. Legislative changes effective from 1 April 2023 increased the rate of the RDEC scheme from 13% to 20% and decreased the SME additional reduction rate from 130% to 86%. From 1 April 2023, the eligibility criteria for the SME scheme changed to support R&D-intensive companies and required companies to incur at least 40% of total expenditure on R&D activities to submit an eligible claim. This was reduced to 30% of total expenditure from 1 April 2024. Whilst the new reliefs have been in effect since 1 April 2024, given the lag in expenditure incurred and claims being made, there remains a period of time where claims will be made under the previous RDEC and SME schemes.

Qualification of the Comptroller and Auditor General's (C&AG's) audit opinion on the regularity of Corporation Tax R&D reliefs

2.6 The Corporation Tax Act 2009 specifies the eligibility criteria for R&D reliefs that companies can claim. Where error and fraud results in HMRC overpaying or underpaying Corporation Tax R&D reliefs to claimants who are either not entitled to these reliefs or are not paid the correct amount according to the legislation, the transactions do not conform with Parliament's intention and are irregular.

2.7 HMRC's principal estimate of error and fraud and the estimate it has the most confidence in is based on a sample of random enquiries into claims made in 2021-22 and 2023-24 as part of its second and third random enquiry programmes respectively that have been weighted and applied to the expenditure incurred years with an accounting period ending in 2022-23. Claims with an accounting period ending in 2022-23 are split between claims made prior to the introduction of the additional information form (AIF) and those made after. HMRC considers that calculating error and fraud rates for claims made pre and post the introduction of the AIF represent the most accurate and complete population to produce an estimate of error and fraud and has calculated respective rates for these from claims made in 2021-22 and 2023-24. This is due to the time lag between claimants incurring the qualifying expenditure and submitting their returns, as well as the time it takes HMRC to open and close its enquiries. To provide a current-year estimate of error and fraud in 2024-25 for financial reporting purposes, HMRC has projected the results of its sample of random enquiries to current year expenditure, accounting for changes in patterns of R&D expenditure between 2023-24 and 2024-25, which produced a lower estimate of £481 million, or 5.9% of the related expenditure.

2.8 HMRC's latest estimate for 2024-25 indicates that the level of error and fraud present within Corporation Tax R&D reliefs was £481 million, or 5.9% of related expenditure in 2024-25 (**Figure 8**). For the reasons set out in paragraph 2.7, HMRC says this estimate should be viewed as illustrative only and as a result it does not produce confidence intervals for its current year estimate. Further details are provided in paragraphs 2.11 to 2.15

2.9 Of the £481 million of error and fraud that HMRC has estimated for 2024-25, £339 million relates to the SME scheme (10.6% of SME expenditure) and £142 million relates to the RDEC scheme (2.9% of RDEC expenditure). HMRC's estimate for 2024-25 takes into account changes in patterns of expenditure in the current year, which are partly driven by the change in relief rates, but it will not know the actual impact of these rate changes until it has completed and evaluated its random enquiries on 2024-25 returns. This will be reported in future annual report and accounts.

2.10 In the C&AG's view, the level of error and fraud in Corporation Tax R&D reliefs remains material by reference to the related expenditure, and he has qualified his audit opinion on that basis.

Figure 8

Estimated value and rate of error and fraud in small and medium-sized enterprise (SME) and Research and Development expenditure credit (RDEC) relief schemes, 2021-22 to 2024-25

The rate of error and fraud in the schemes remains significant. The SME scheme still shows the highest rate, estimated by HM Revenue & Customs (HMRC) at 10.6% in 2024-25

		Final estimates based on HMRC's Mandatory Random Enquiry Programmes (MREPs) ¹		Projected estimates based on MREPs ²	
		2021-22	2022-23	2023-24	2024-25
Value of error and fraud (£mn)	SME scheme	1,203	652	370	339
	RDEC scheme	134	107	127	142
	Overall	1,337	759	497	481
Rate of error and fraud (%)	SME scheme	25.8	14.7	11.7	10.6
	RDEC scheme	4.6	3.3	2.9	2.9
	Overall	17.6	9.9	6.5	5.9

Notes

- 1 HMRC has estimated the value of error and fraud in 2021-22 and 2022-23 through the results of a sample of claims submitted in those financial years as part of its Mandatory Random Enquiry Programmes (MREPs). These claims relate primarily to expenditure incurred by claimants in the two years prior to the claim. As these are based on MREPs, HMRC assesses these estimates as its most statistically robust estimates.
- 2 HMRC has also produced estimates for 2023-24 and 2024-25 based on the MREP results from 2022-23, and an assumption about the impact of recent rate changes.
- 3 The rate of error and fraud in the schemes is the value of error and fraud as a percentage of total expenditure in the schemes.

Source: National Audit Office analysis of HM Revenue & Customs data

Estimated level of error and fraud in Corporation Tax R&D reliefs

2.11 The C&AG has qualified his regularity opinion on Corporation Tax R&D reliefs every year since 2019-20, the first year HMRC produced an estimate of error and fraud in those reliefs.

2.12 HMRC have been estimating error and fraud using the results of a Mandatory Random Enquiry Programme (MREP) on SME claims since 2022-23. The current MREP approach represents good practice in the measurement of error and fraud and provides a more realistic assessment of the level of error and fraud present in the schemes.

2.13 In 2024-25, the results of a third MREP (MREP 3) have been used in HMRC's estimates. This involved inspection of a random sample of claims filed in 2023-24, relating to expenditure incurred by claimants in 2022-23. These were the most recent claims available to HMRC at the time it commenced work.

2.14 HMRC has used information from its first and second MREPs to revise its sampling approach for MREP 3 and has selected a stratified random sample of 350 claims, sampling proportionately more claims with a high claim value which were previously identified to be higher yielding. Stratified sampling involves the division of a population into sub-groups based on particular characteristics and the selection of samples from each sub-group (or stratum). HMRC's strata are based on the size of claims.

2.15 In addition to its 2024-25 estimate, HMRC has also produced a revised estimate for 2022-23, which indicates that error and fraud in Corporation Tax R&D reliefs was £759 million, or 9.9% of related expenditure; £652 million of this relates to the SME scheme. This compares with HMRC's original 2022-23 estimate of £1,051 million (£1,003 million SME), or 13.3% of related expenditure, which were the results of the first estimate to be produced based on the introduction of the MREP. Given the two-year lag between claimants incurring qualifying expenditure and submitting a return to HMRC and the time needed to open and close its random enquiries, it considers that applying and weighting the results from its second and third random enquiry programmes to 2022-23 expenditure produces the most statistically robust estimate of error and fraud possible at this time. HMRC estimates that, in 2022-23, error and fraud in Corporation Tax R&D reliefs could have been as high as £1,086 million (14.1%) or as low as £517 million (6.8%). Its central estimate for error and fraud on the SME scheme was 14.7%, which remains amongst the highest reported across all government spending programmes.

2.16 To produce its estimate of error and fraud HMRC's compliance team selected 350 claims filed between 1 November 2023 and 29 February 2024. Of these, HMRC has closed 296 investigations at the time it produced the estimate, a closure rate of 85.0%. HMRC estimated the yield from the remaining 54 open cases based upon the caseworker's assessment of the likely outcome and included this in its overall estimate. Historically, the closure rate has been in excess of 95%. HMRC told us that the lower closure rate is a result of extending the sample period of claims submitted to 29 February 2024. Of the 296 claims that HMRC reviewed, 88 (30%) were found to include an element of non-compliance, where some or all of the claim was for expenditure that did not meet the qualifying criteria, and HMRC applied a 'non-detection multiplier' to the results to estimate any error and fraud that caseworkers may have missed during their reviews. HMRC applied the error and fraud rates calculated through its MREP of claims filed in 2023-24 to 2024-25 expenditure to estimate the value of error and fraud in 2024-25. In previous years, HMRC completed its own quality assurance (QA) on a random sample of MREP cases to address the risk of non-detection of case yield. HMRC did not undertake this QA work on MREP 3 cases and told us that the results of its QA work on MREP 1 and MREP 2 indicated it did not need to continue the QA in future years. The outcome of all sampled claims are reviewed prior to closure as part of HMRC's standard processes.

2.17 HMRC chose not to undertake an MREP in respect of large business claims under the RDEC scheme. HMRC considered this was unnecessary due to the historically lower levels of error and fraud it has identified for the scheme and the involvement of dedicated customer compliance managers who work with large businesses eligible for RDEC reliefs. HMRC's estimate of error and fraud by large companies in the RDEC scheme is, therefore, based substantially on detailed Business Risk Reviews and risk assessments of large business claims, similar to the approach in previous years.

Personal Tax Credits

2.18 HMRC is responsible for administering tax credits to support families with children and to help ensure that work pays more than welfare; and for making payments to claimants on time, and in full, in accordance with legislation and the related regulations. The government has been gradually replacing tax credits with Universal Credit, which is administered by the Department for Work & Pensions. From 5 April 2025, there were no live tax credits award that remained in payment with tax credits closing. Over recent years the volume of tax credits awards has gradually reduced, with the biggest fall observed in 2024-25 ahead of the closure of tax credits.

2.19 HMRC bases tax credits awards on initial claimants' income estimates, then finalises them following the end of the tax year, or in-year where the customer has migrated to Universal Credit. The process for finalising awards relies on claimants providing complete and accurate data, and HMRC calculating awards accurately. Error and fraud in tax credits has been a significant challenge for HMRC and has led to a qualified opinion every year since they were introduced. Measuring error and fraud is complex, and presents a significant challenge in balancing resources to detect error and fraud, and compliance activity to reduce the levels of error and fraud.

2.20 In 2024-25, HMRC spent £2.7 billion on tax credits (2023-24: £7.3 billion), representing 7.8% of the total expenditure of £34.4 billion recorded in HMRC's 2024-25 Resource Accounts (2023-24 18.1% of the total expenditure of £40.3 billion). As at December 2024, there were 91,000 claiming tax credits.

Qualification of the Comptroller and Auditor General's (C&AG's) audit opinion on the regularity of tax credits expenditure

2.21 The Tax Credits Act 2002 specifies the eligibility criteria for tax credits and how HMRC calculates the amounts to be paid. Where error and fraud result in HMRC overpaying or underpaying tax credits to an individual who is either not entitled to tax credits or is paid at a different rate from that specified in the legislation, the transaction does not conform with Parliament's intention and is irregular.²⁴

2.22 In the C&AG's view, the overall value of overpayments and underpayments due to error and fraud in tax credits remains material by reference to the related expenditure, and he has qualified his audit opinion on that basis.

Estimated level of error and fraud in tax credits expenditure

2.23 In 2023-24, HMRC changed its approach to the estimate, creating its estimate by applying historic rates of error and fraud to the tax credits expenditure forecast for the 2023-24 financial year. For 2024-25, HMRC has continued to apply the same methodology for estimating error and fraud. Previously, HMRC's estimate was based on the results of investigating a random sample of claims, known as a random enquiry programme.

²⁴ HMRC's published statistics refer to error and fraud resulting in overpayments – where claimants have received more than their entitlement and where this has not been corrected before finalisation – as 'error and fraud favouring the claimant', and error resulting in underpayments – where claimants have received less than their entitlement – as 'error and fraud favouring HMRC'. We use the terms overpayments and underpayments elsewhere in Part Two of this report. This is not the same as overpayments reported by HMRC during the year or those that arise when tax credits awards are finalised. These overpayments arise because tax credits are calculated annually, and so relate to the natural cycle of tax credits and are not included in the error and fraud statistics discussed here.

2.24 HMRC estimates that, in 2024-25, error and fraud resulted in overpayments of 4.2%, compared with 4.7% in 2023-24 (**Figure 9**). Error and fraud resulting in underpayments amounted to 0.8% (0.8% in 2023-24). This equates to overpayments of £85 million (2023-24: £365 million) and underpayments of £15 million (2023-24: £60 million). This downward trend in the value of estimated error and fraud is caused by a reduction in tax credits expenditure.

2.25 HMRC estimates that overpayments made in error or fraud could be as high as 4.5% (2023-24: 5.0%) or as low as 4.0% (2023-24: 4.4%). HMRC estimates that underpayments made in error or fraud could be as high as 0.9% (2023-24: 0.9%) or as low as 0.6% (2023-24: 0.7%).

2.26 In forming his opinion on the regularity of tax credits expenditure, the C&AG has considered whether the error and fraud rates, calculated based on previous periods' random enquiry programmes applied to the forecast of 2024-25 tax credits expenditure, provides appropriate evidence that tax credits error and fraud remains material in 2024-25. HMRC's own estimates of error and fraud have ranged from 4.2% to 5.5% in recent years (Figure 9) and it has estimated that compliance yield as a proportion of entitlement for 2024-25 was comparable to that in previous years. On this basis, the C&AG has qualified his opinion based on HMRC's estimate of error and fraud for 2024-25.

2.27 HMRC told us that the fall in its estimate of error and fraud in 2024-25 is related to changes in the underlying tax credits population as a result of tax credits closure, for example, customers migrating to Universal Credit, which is administered by the Department for Work & Pensions.

2.28 Given the change in methodology, described above, HMRC no longer reports on the full range of causes of error and fraud via published statistics. For 2021-22, which was the final year of its random enquiry programme, it only reported the error and fraud caused by the misreporting of income (£190 million of overpayments) and working hours (£110 million of overpayments) by tax credits claimants which contributed to over 60% of overpayments. HMRC told us that it would expect the reasons for error and fraud in 2024-25 to be similar to those observed in its most recent random enquiry programme. However, in the absence of a recent random enquiry programme it does not have the evidence to support this view.

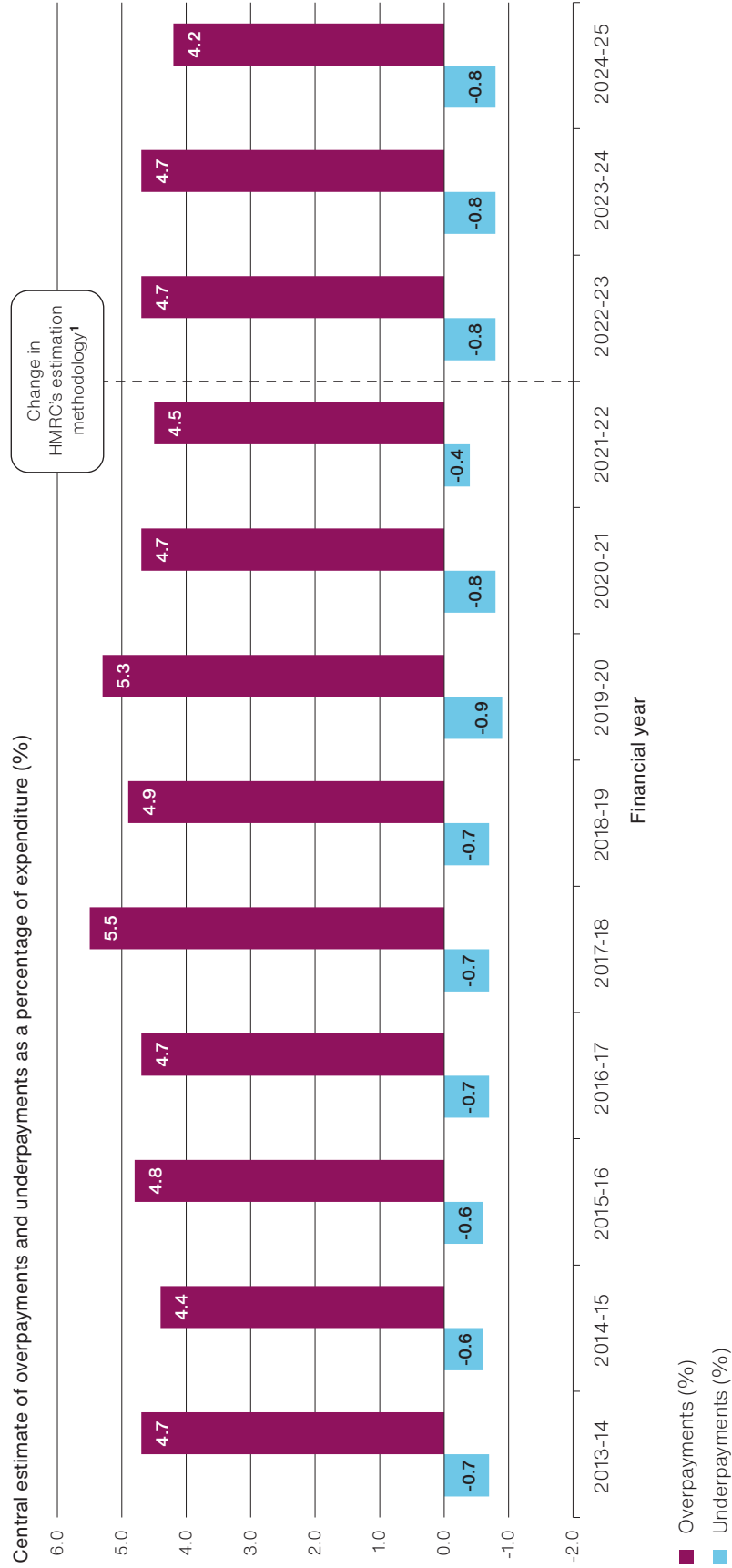
Child Benefit

2.29 Child Benefit has been administered by HMRC since the department was established in 2005. It is designed to acknowledge the costs of raising a child and provides financial assistance to families. HMRC typically pays Child Benefit every four weeks to claimants who are responsible for a child under the age of 16, or under 20 if they stay in approved full-time non-advanced education (FTNAE). There is no limit to the amount of children that can be on a claim for Child Benefit.

Figure 9

Overpayments and underpayments relating to error and fraud as a percentage of total tax credits expenditure, 2013-14 to 2024-25

HM Revenue and Customs (HMRC) estimates that overpayments in Personal Tax Credits were 4.2% of total tax credits expenditure in 2024-25, compared with 4.7% in 2023-24 and 2022-23

**Note**

¹ Since 2022-23, HMRC has used a new methodology to calculate its estimate, using a proxy rate based on historic rates of error and fraud in tax credits. Prior to this change, HMRC estimated the level of error and fraud through inspection of a random sample of cases.

Source: National Audit Office analysis of HM Revenue & Customs data

2.30 Child Benefit is payable regardless of an individual's income.

However, in 2024-25, individuals earning over £60,000 were required to pay the High Income Child Benefit Charge (HICBC). For those earning above £80,000, the value of HICBC was equal to the Child Benefit entitlement so no additional financial benefit would be gained from continuing to receive Child Benefit. The HICBC remains unchanged in 2025-26.

2.31 In 2024-25, HMRC's expenditure on Child Benefit was £13.3 billion (£12.5 billion in 2023-24), making it the largest individual benefit paid by HMRC. This is the gross amount of expenditure, with the HICBC being collected via individuals' Self Assessment, and reported in the HMRC Trust Statement. Child Benefit expenditure has increased in 2024-25 due to the increase in weekly rates, with the rate for the eldest or only child increasing from £24.00 to £25.60 per week and the rate for other children increasing from £15.90 to £16.95. In August 2024, HMRC estimated that 6.9 million families were in receipt of Child Benefit payments, with these families claiming the benefit for 11.9 million children (August 2023: 6.9 million families and 11.9 million children.)

Qualification of the Comptroller and Auditor General's (C&AG's) audit opinion on the regularity of Child Benefit expenditure

2.32 The Child Benefit Act 2005 specifies the eligibility criteria for Child Benefit. Where error and fraud results in HMRC overpaying an individual who is either not entitled to Child Benefit or is paid at a different rate from that specified in the legislation, the transaction does not conform with Parliament's intention and is irregular.

2.33 In the C&AG's view, the overall estimated value of overpayments due to error and fraud in Child Benefit expenditure is material by reference to the related expenditure, and he has qualified his audit opinion on that basis.

Estimated level of error and fraud in Child Benefit expenditure

2.34 For 2024-25, HMRC estimated the level of error and fraud by selecting a random sample for inspection of 2,700 claims across a 12-month period (225 claims from each period). In 2023-24, HMRC completed a monthly enquiry over a nine-month period (300 claims from each period). HMRC selected the random sample based on its own assessment of risk, which for 2024-25 identified two distinct populations of claimants: those claiming for children in FTNAE and those claiming for children that were not in FTNAE (non-FTNAE).

2.35 Once a claim is selected for inspection, HMRC opens an enquiry that gives the claimant a five-week period to provide evidence to support their Child Benefit claim. If a claimant engages with HMRC's enquiry, regardless of the validity of their claim, HMRC classifies them as a 'responder'. If an individual does not respond to HMRC's enquiry, HMRC suspends or terminates their payments and classifies them as a 'non-responder'. HMRC reviews all non-responder cases through a desk-based analysis that uses other information sources available to it to deem whether the claim is compliant or non-compliant.

2.36 Of the 2,700 claims that HMRC selected in 2024-25, 2,388 were responder cases and 303 were non-responders, with the remaining nine cases being discarded.²⁵ HMRC judged 42 of the 2,388 responders (1.8%) to be non-compliant based on the evidence provided by claimants. HMRC's desk-based analysis estimated 46 (15.2%) of the 303 non-responder cases were non-compliant.

2.37 Based on the results of its random enquiries, HMRC estimates that, in 2024-25, the overall level of error and fraud resulting in overpayments of Child Benefit amounted to 2.0% of the associated expenditure, or £270 million (1.6% or £200 million for 2023-24, **Figure 10** overleaf). This estimate of error and fraud comprises two distinct categories:

- 0.8% (£110 million) relating to responders that HMRC has found to be ineligible for Child Benefit (0.6% or £75 million for 2023-24); and
- 1.2% (£160 million) relating to non-responders who, based on its further analysis, HMRC believes are not entitled to Child Benefit (1.0% or £125 million for 2023-24).²⁶

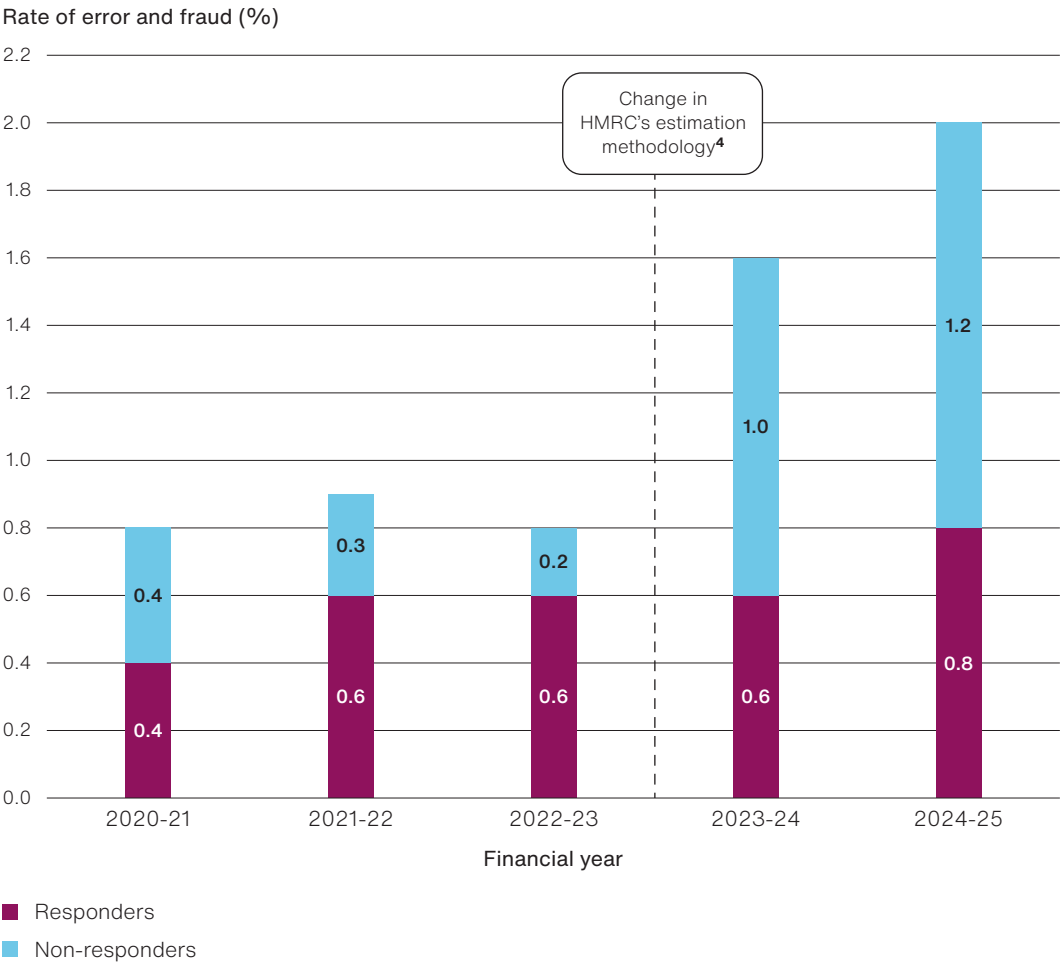
2.38 HMRC's estimate of the overpayment rate in 2024-25 of 2.0% (2023-24: 1.6%) is in the middle of its forecast range, which estimates that Child Benefit error and fraud could be as high as 2.5% (2023-24: 2.0%) or as low as 1.5% (2023-24: 1.2%).

²⁵ Discarded cases are those cases that were no longer in payment within the sample month or sensitive cases where HMRC could not determine compliance through completion of HMRC's desk-based analysis.

²⁶ The rates of error and fraud (%) have been rounded to one decimal point for reporting purposes; exact rates have been used to calculate the value of error and fraud.

Figure 10
Rate of error and fraud in Child Benefit payments, 2020-21 to 2024-25

HM Revenue & Customs' (HMRC's) estimate of error and fraud in Child Benefit payments in 2024-25 was 2.0% of expenditure, compared with 1.6% in 2023-24



Notes

- 1 The rate of error and fraud is the value of error and fraud as a percentage of total Child Benefit expenditure.
- 2 HMRC calculates Child Benefit error and fraud by requesting evidence of eligibility from a sample of claimants. In 2024-25 the sample size was 2,700. HMRC says this sample size leads to a high degree of uncertainty. For 2024-25, HMRC assesses that error and fraud could be as high as 2.5% or as low as 1.5%.
- 3 Responders are claimants who provided evidence that showed they were ineligible for part of or all of their Child Benefit claim. Non-responders are claimants who did not provide any evidence. For responders, HMRC calculates the rate of error and fraud using the evidence provided. For non-responders, HMRC performs further analysis to calculate the rate of error and fraud.
- 4 In 2023-24, HMRC changed its methodology for measuring error and fraud, moving from an annual enquiry based on the August National Statistical publication to a monthly enquiry programme, representing good practice in error and fraud measurement. The 2024-25 and 2023-24 estimates are therefore not directly comparable with previous estimates.

Source: National Audit Office analysis of HM Revenue & Customs data

2.39 HMRC's 2024-25 estimate of error and fraud is its second based on a monthly sample of random claims, with its first estimate being produced in 2023-24. HMRC told us in 2023-24 that the increase in its estimate of error and fraud from 0.8% to 1.6% was a result of improvements in estimation methodology from an annual enquiry to monthly enquiries which made it easier to account for the duration of error and fraud. HMRC's 2024-25 estimate of error and fraud has increased compared to last year to 2.0% and has been prepared on a comparable basis. HMRC told us that this increase is not statistically significant and that two years of consistent data does not allow conclusions to be drawn on long term trends. As a result, HMRC does not know whether there has been an increase in underlying error and fraud and its approach continues to be focused on targeting and addressing the biggest causes through its future compliance work. See paragraph 2.43 for more information.

Causes of error and fraud in Child Benefit

2.40 HMRC has identified a number of causes of error and fraud within Child Benefit expenditure, which it considers mainly relate to individuals not informing it of a change in circumstances. The most common cause identified by HMRC is in respect of claims for FTNAE, which represent 57% of non-compliant cases in the responder population in 2024-25 and 33% of non-compliant cases in the non-responder population. FTNAE issues arise either where a child has left full-time non-advanced education or where children are working more hours than permitted per week, which was 24 hours in 2024-25. HMRC also assesses claims as non-compliant due to household changes, immigration status and, for the non-responder population only, where it can find no trace of an individual. The volume of 'no trace' cases has risen in 2024-25. The reasons for non-compliance remain broadly comparable with HMRC's equivalent exercise completed in 2023-24 (**Figure 11** overleaf).

Developments in tackling error and fraud

2.41 Over recent years, HMRC has made substantial investment in tackling the high levels of error and fraud present in Corporation Tax R&D reliefs. It has increased the volume of compliance enquiries, introduced digital filing for all returns and an additional information form that included more information about the claim, including agent information. It has also increased its compliance headcount by 400 for the R&D reliefs. There have also been substantial changes to the schemes as described in more detail in paragraphs 2.2 and 2.3. Through its reduced estimates of error and fraud within the schemes which it has observed since 2022-23, HMRC is beginning to see the impact of compliance and legislative changes made in recent years. HMRC will need to review the results of recent MREPs and consider whether the measures taken have gone far enough.

Figure 11
Presumed reasons for error and fraud in Child Benefit claims, split by
responders and non-responders 2023-24 and 2024-25

HM Revenue & Customs’ (HMRC’s) assessment of the reasons for error and fraud in Child Benefit claims
in 2024-25 is broadly consistent with its 2023-24 assessment

Reason for error and fraud	Responder ⁵		Non-responders ⁵	
	2023-24	2024-25	2023-24	2024-25
	(% of error and fraud)	(% of error and fraud)	(% of error and fraud)	(% of error and fraud)
Full-time non-advanced education (FTNAE) issues ¹	67	57	43	33
No trace ²	–	–	31	48
Household changes ³	14	14	–	4
Immigration status	6	10	20	13
Claimant/child abroad	6	12	–	–
Young person claiming benefits	0	5	6	2
Other reason ⁴	8	2	–	–

Notes

- 1 ‘FTNAE issues’ refer to claimants continuing to claim for children who have left full-time non-advanced education or are working more than the permitted hours a week, which was 24 hours in 2024-25 and 2023-24.
- 2 ‘No trace’ refers to claimants who do not have a recorded income on HMRC’s systems and are not claiming any benefits.
- 3 ‘Household changes’ include, for example, where a child no longer lives with a claimant.
- 4 ‘Other reason’ includes, for example, where a child is in local authority care, imprisonment or deceased.
- 5 Responders are claimants who provided evidence that showed they were ineligible for part of or all of their Child Benefit claim. Non-responders are claimants who did not provide any evidence.
- 6 Percentages may not sum to 100 due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs data

2.42 Due to the closure of tax credits, there are no live awards that remain in payment from 5 April 2025 and as a result there are no further compliance interventions planned by HMRC. Tax credits awards will continue to be finalised as usual with any overpayments being recovered, including through Time to Pay arrangements agreed with individuals.

2.43 To tackle error and fraud in Child Benefit expenditure, HMRC is currently implementing additional datasets available within other government bodies to identify potential claims made in fraud or error, such as Home Office data to identify customers no longer residing in the UK and Student Finance England data to identify children who are in advanced education, both of which follow on from successful pilot programmes in 2024. This will allow HMRC's compliance activity to be more focused on claims made with a greater risk of error and fraud. To support these compliance interventions, and as announced in the Autumn Statement 2024, HMRC is investing in 180 new counter-fraud staff to increase its capabilities to better tackle error and fraud in Child Benefit. HMRC continues to seek opportunities to better exploit data available to central and local government bodies to reduce the levels of error and fraud.

Appendix One

Our evidence base

- 1** This report presents our factual commentary on HM Revenue & Customs' (HMRC's) performance during 2024-25. We prepared our commentary using evidence collected between April and July 2025.
- 2** The report covers:
 - HMRC's performance against its 2024-25 objective of collecting revenues and managing compliance, the main components of the £875.9 billion raised in 2024-25, HMRC's customer service and debt management performance, and the costs of tax collection (Part One);
 - the basis of the C&AG's qualification of his opinion on the regularity of HMRC's Resource Accounts in relation to error and fraud in Corporation Tax research and development reliefs, Personal Tax Credits and Child Benefit (Part Two).

Part One

Document review and data analysis

- 3** As part of our financial audit work, we reviewed the supporting information for HMRC's Trust Statement and Resource Accounts. We analysed the supporting internal data and performance information prepared by a variety of business units within HMRC, in particular from the Customer Compliance Group, the Customer Service Group including its debt management function, and the Knowledge, Analysis and Intelligence directorate. This included a review of:
 - board meeting minutes;
 - internally commissioned research papers;
 - risk assessments; and
 - performance monitoring dashboards.
- 4** Our review focused on information in those documents relevant to the period between 1 April 2024 and 31 March 2025.

5 During our analytical review, we examined the numbers in HMRC's financial statements, plus supporting information provided during the financial audit, and performance statistics published regularly by HMRC, such as its quarterly performance updates.

6 We reviewed *Measuring Tax Gaps 2025*, published by HMRC in June 2025, as well as *Economic and Fiscal Outlook*, published by the Office for Budget Responsibility in March 2025.

7 We also relied on evidence from our value for money reports relevant to the work of HMRC, and associated reports from the Committee of Public Accounts.

8 Our reports of particular relevance were:

- *Collecting the right tax from wealthy individuals* (May 2025);
- *The administrative cost of the tax system* (February 2025); and
- *Tackling tax evasion in high street and online retail* (September 2024).

Interviews

9 We conducted five virtual interviews in May 2025 with representatives from HMRC's business groups responsible for compliance, customer service and debt management. These interviews lasted up to an hour each and we took detailed notes.

10 We undertook these interviews to corroborate the evidence collected from our document review and quantitative analysis, and to better understand:

- HMRC's objectives for 2024-25 and its performance in the year;
- challenges HMRC faced in achieving its objectives in 2024-25, and risks to performance in future years;
- HMRC's plans for maintaining and improving performance in 2025-26; and
- HMRC's views on current issues.

Part Two

11 Part Two relies principally on evidence collected as part of our financial audit work on Corporation Tax research and development reliefs, Personal Tax Credits and Child Benefit. This work is done in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom (2024)*. As part of this work, we reviewed HMRC's error and fraud statistical analysis. We interviewed key staff and reviewed relevant documents.



HM Revenue
& Customs