



HM Revenue
& Customs

Annual Report and Accounts

2025 to 2026



HM Revenue and Customs

Annual report and accounts 2025 to 2026

For the period 1 April 2025 to 31 March 2026

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Report presented to the House of Commons by Command of His Majesty

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This is part of a series of departmental publications which, along with the Main Supply Estimates 2026 to 2027 and the document Public Expenditure: Statistical Analyses 2026 present the government's outturn for 2025 to 2026 and planned expenditure for 2026 to 2027.



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



HM Revenue and Customs' Annual Report and Accounts for 2025 to 2026 once again highlights how the work of this department underpins the government's central mission of economic growth and national renewal. And the figures in this report speak to the vital role HMRC plays in funding our public services and giving financial support to those who need it. This year, the department raised £966.4 billion in tax revenues and paid out £13.4 billion in Child Benefit - all while working to ensure a fair system where everyone plays by the same rules and where those who seek to avoid or evade their responsibilities are held to account.

HMRC's work is enabling the government to rebuild our public services, help families with the cost of living and fund schools, hospitals and communities - the building blocks of a fairer, more prosperous society. I know that HMRC's staff are focused on delivering for our country and I want to record my thanks to everyone in the department for their continued dedication and professionalism.

Good tax and customs administration might not always make the headlines, but it matters profoundly to people's everyday lives. When HMRC gets things right, businesses can invest and trade with confidence, workers receive the support they are entitled to and families can plan for the future. When we collect the taxes that are owed fairly and efficiently, we enable the investment in public services that communities across the country depend upon, which is why it's so pleasing to see the progress HMRC has made this year. This report, along with the recently published Transformation Roadmap update, highlights the important work going on to address the three priorities set to meet the government's vision for a modern tax system: improving day-to-day performance, closing the tax gap, and reform and modernisation of the tax and customs system.

Progress is being made towards creating a tax system that works better for everyone. A tax system that is more digital and easier to use for businesses and individuals alike, freeing up time and resources that can be put to more productive use. And over the longer term, smarter tax and customs administration supports economic renewal, by helping to create the conditions for businesses to thrive and grow.

I am also encouraged by the progress HMRC has made in improving customer service this year. More people are getting through to an adviser when they need help and calls have been answered more quickly. There is, of course, further to go. I know that too many people still find dealing with HMRC frustrating, so I am determined that the department continues to build on the improvements made this year. The public rightly expects a tax and customs authority that is efficient, responsive and fair – and that is what HMRC is working to deliver.

As Chair of the HMRC Board, I will continue to provide oversight of the department's delivery against its three strategic priorities. These priorities are the foundations of a tax system that

commands public confidence - one that supports honest taxpayers, tackles non-compliance effectively and enables HMRC to attract and retain the talented people it needs.

The coming year will bring new challenges. The demands on public finances are significant, but this government is relentlessly focused on reversing decline and restoring opportunity, pride and faith that the future will be better. I am confident that HMRC is well placed to continue enabling and supporting the government to deliver the necessary changes and build an economy that works for all.

I look forward to working with the department as we make further progress on this vital mission in the year ahead.



Dan Tomlinson MP

Exchequer Secretary to the Treasury and Chair of the HMRC Board

Foreword from HMRC's Chief Executive and First Permanent Secretary



HMRC's core purpose is to collect the money that pays for the UK's public services and to provide financial support to those who need it. Around 40 million individuals and 5.7 million businesses across the UK are HMRC customers, and we are striving to be a trusted, modern tax and customs and valuations department. We have much to deliver between now and 2030 and I'm grateful to my teams and our partners for the progress made in year 1 of our 5-year transformation, as set out in this report and in our latest transformation roadmap update.

In 2025 to 2026, we raised tax revenues of £966.4 billion, an increase of £90.4 billion compared to the previous year and brought in over £50 billion of compliance yield for the first time - money that without our intervention, would have been lost to the Exchequer. This helps us to keep the UK's tax gap - the difference between tax collected and theoretical tax liabilities - amongst the lowest in the world. Our priority is to reduce the tax gap by 2030, with annual yield expected to increase by a further £10 billion, and receipts also forecast to grow further. To do this, we're employing innovative new technologies and capabilities, and have increased the number of compliance colleagues by over 2,100 since Autumn Budget 2024. We are ahead of our plan to grow compliance capacity by an additional 5,500 new frontline compliance officers by 2030.

Meanwhile, tax debt as a proportion of receipts is also now forecast to fall in each year of the Spending Review period. We've resolved almost £102 billion of debt in 2025 to 2026, an increase of 5.3% compared to the year before. We're helping customers to pay what they owe and taking action on those who choose not to, ensuring a fair tax system for all, consistent with the update to our Debt Strategy, which we published in 2025. We expect tax debt as a proportion of receipts to fall from 4.7% in 2025 to 2026, to between 3% and 4% by 2029 to 2030.

Our work on reducing the tax gap is underpinned by efforts to enhance our customer service, and in 2025 to 2026 we focused on improving our day-to-day performance and customer experience. By 2030, our ambition is to be a digital-first organisation, with customer-focused services that are accessible and easy-to-use, supported by modern and secure technology, to help our customers get their tax right first time.

In 2025 to 2026, 78% of all customer interactions were digital - up from 65% five years ago, which shows we're well on the way to reaching our target of at least 90% by 2030. Much of this digital shift has been driven by our highly successful HMRC app, which celebrated its 10th anniversary in June 2026, and continues to grow. Over 7.6 million people used the app in 2025 to 2026, an increase of 28.6% in the last year.

The app has evolved from a simple tax calculator 10 years ago into a powerful tool that can be used for a variety of transactions. In the month of January 2026, £818.8 million of Self Assessment payments were made via the HMRC app, up 64% on payments made during January 2025. Our app even ended 2025 to 2026 as the number one rated free finance app in the App Store and Google Play store for the first time.

We know that in recent years, our customers haven't received the experience they expect from our telephony services, but I recognise the substantive progress made this year. More customers are getting through to us, and for the first time since 2017 to 2018, we met our headline telephony performance target in 2025 to 2026 – with 85.1% of customers who wanted to speak to an adviser having their call answered. Those customers are waiting less time to speak to us too. The waiting time to speak to an adviser halved comparing March 2025 to March 2026 – when it dropped below 10 minutes for the first time in over four years. This is now the baseline that we must build on.

In 2025 to 2026 we laid the foundations for further improvements to our customer service. We will continue investing in technology to give our colleagues the tools they need to provide a faster and more consistent service. Our Contact Centre as a Service platform, for example, announced in May 2026, will give us a next generation, AI-enabled contact centre solution. We have also started procurement for our Enterprise Customer Relationship Management tool, which will make it easier to provide a joined-up and consistent experience for our customers, however they have contacted us. Both will go live in phases, starting in 2026 to 2027.

Tax and finances can be stressful, which is why we have continued to provide additional or tailored support for those who need it. Our customer service advisers and compliance caseworkers are trained to recognise individual needs and provide the right guidance, and in 2025 to 2026, around 210,000 customers received extra support. I'm also pleased that we are doubling our commitment to grant funding for the voluntary and community sector. As our digital ambitions progress, this will ensure that charities and community organisations can offer free and independent tax and benefits advice to digitally excluded and vulnerable customers.

Our efforts to improve the customer and colleague experience are grounded in the work we're doing to reform and modernise tax and customs administration, as set out in our Transformation Roadmap update. In April 2026, for example, we introduced Making Tax Digital (MTD) for Income Tax, whereby sole traders and landlords earning over £50,000 will have a clearer view of their tax position. Over 180,000 customers had signed up for this service by the end of March, with many more expected to register before the first quarterly reporting deadline in August. In the Autumn Budget 2025, the Government also announced the introduction of e-invoicing, working with industry experts to develop technical frameworks that will support improved tax compliance and business efficiency.

Artificial intelligence (AI) and advanced analytics has already enabled the protection and recovery of £10 billion in tax between 2025 and 2026, and we are continuing to work at pace in this area, appointing our first ever Chief AI Officer in April 2026, to provide clear leadership and ensure the AI advancements that we make are responsible. Throughout the year I have been focused on redoubling our commitment to the HMRC Charter. This has meant engaging our stakeholders by working in the open, using their valuable experience and insight to help improve the services we offer and I'm grateful for their contributions. MTD for Income Tax, for example, was co-designed with partners, using first-hand experience to create a system that makes it easier for people to get their tax right first time.

Amid this transformation however, criminals continue to seek to target our systems, customers, and colleagues - and we remain alert to these risks. In 2025 to 2026 we blocked around 23.35

billion potential IT security threats, 99.95% of which were automatically handled by our defences. Meanwhile, we are vigilant to the growing risk of fraud and scams, taking down over 26,000 scam websites and social media accounts impersonating HMRC over the same period. Read more about our key risks from page 93.

We will not be complacent in this landscape, we will continue working to improve our technical health, safeguarding our IT infrastructure by addressing cyber vulnerabilities and ensuring secure data management. Our technical health maturity score – which assesses the overall condition and resilience of our technology systems and infrastructure, based on regulatory frameworks – stands at 3.3 out of 5 and we aim to reach 4.0 by 2030.

We also take insider risk very seriously, where a small minority of colleagues, contractors or suppliers may misuse their access to data and systems. We have a zero-tolerance approach to this and, where criminal wrongdoing is identified, we take swift action to dismiss and pursue criminal prosecutions. Fraud training packages are now mandatory for everyone in HMRC, regardless of role.

Our work throughout 2025 to 2026, continued to support the government's wider economic aims. In 2025 to 2026, over £1 trillion of goods imports and exports crossed the UK border and we facilitated the smooth flow of this trade, with further transformation to come. We're using AI and other technologies, for example, to redesign the Online Trade Tariff tool and make it easier for traders to understand their customs obligations.

We also welcomed over 4,000 Valuation Office Agency colleagues into HMRC in April 2026, who enable the collection of billions of pounds in business rates and Council Tax in England and Wales each year, directly funding local public services.

Our progress in 2025 to 2026 is testimony to the efforts of HMRC colleagues across the country, and I want to thank them for their work over the past twelve months – including during the Self Assessment deadline, which fell on a Saturday in January 2026. Over 800 colleagues were ready to help customers get the guidance they needed through our phone lines, and 200 webchat advisers provided support online. We look forward to replicating these improvements next year too, including on Self Assessment deadline day, which falls on a Sunday.

Our people are central to our transformation and our continued investment in skills development and capability academies is paying dividends. Colleague engagement increased to 60% in the 2025 People Survey, which is a 3 percentage point increase on the previous year and the highest in HMRC's history – something I am proud of and hope we can build on.

We are also determined to build new capabilities, learning from risks and issues. Through the HMRC Charter, we're committed to getting things right for our customers, and that's why we continuously learn and improve, be open and honest about our actions and use lessons learned to develop new and robust approaches.

Following the fraudulent access to our PAYE services by organised criminals using stolen personal data, in 2025 to 2026 we used learnings from the incident to set up the Fraud Prevention Centre, a new operational model that uses technology and empowers our people to detect, address and prevent identity fraud. We deployed this capability across our tax regimes this year, including containing repayment fraud losses in VAT.

We also recognised that our attempts to protect taxpayers from error and fraud negatively impacted some of our Child Benefit customers. Apologising for this, we took swift corrective action to put cases right and improve our processes, continuing to fulfil our vital role in giving

individuals and families financial support, while reducing error and fraud in Child Benefit. We are aware that improving trust, particularly for individual customers, remains a key challenge and we are determined to keep improving our services, so customers can make more informed choices, from accessing time to pay arrangements online, to being able to view National Insurance records so they can make voluntary payments.

We will continue to publish annual updates on how our services are changing and be open about our progress on delivering modernisation and reform. I am grateful to my colleagues and our partners for their leadership, delivery, and support in 2025 to 2026. I hope we can build on this and accelerate progress in the years ahead.



John-Paul Marks
Chief Executive and First Permanent Secretary, HM Revenue and Customs
1 July 2026

2025 to 2026: our performance highlights

Our purpose and vision

HMRC is your tax service. **Our purpose** is to 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 that delivers in line with our **values**, which are: being professional, acting with integrity, showing respect and being innovative.

Our charter standards

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:

- 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



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

85.1%

Percentage of adviser attempts handled, up from 71.5% in 2024-25

12:35

Average wait time for telephone calls (mm:ss), down from 18:38 in 2024-25

79.4%

Customer satisfaction in 2025-26

78.0%

Digital interactions, up from 76.2% in 2024-25

£818.8m

Self Assessment payments made via the HMRC app, up 64% (January '26 against January '25)



Strategic Objective 1:
Close the Tax Gap

6.4%

Provisional Tax Gap 2024-25

£50.2bn

Compliance yield delivered 2025-26

Over 1,600

New compliance officers joined us in 2025-26

4.7%

Debt as a proportion of receipts 2025-26, down from 5.0% in 2024-25



**Strategic Objective 3:
Reform and modernisation of
tax and customs administration**

£10bn

Tax protected and recovered through the use of AI and advanced analytics

97m

Unique records in the new Central Customer Registry - providing a holistic view of the customer

10,450

Customers signed up for public testing of Making Tax Digital for Income Tax



**Strategic Objective 4:
Build a high-performing organisation
with a skilled and engaged
workforce**

60%

People Survey Employee engagement index score

47,000

Colleagues who completed an AI learning module

83

Civil servants who have taken part in the 'Leadership Within the Enterprise' programme



**Strategic Objective 5:
Supporting wider government
economic aims**

£8.0bn

Expenditure on Research & Development reliefs in 2025-26

868,000

Families supported through tax free childcare

62,000+

Workers identified as underpaid, through our work to enforce the National Minimum Wage

How we were organised in 2025 to 2026

In 2025 to 2026 our department was made up of 5 core customer-focused groups, supported by corporate services, as set out below.

Our departmental group had 70,456 full-time equivalent employees at the end of financial year 2025 to 2026, 66,416 in HMRC and 4,040 in the Valuation Office Agency (VOA). The VOA became the Valuation Office in April 2026 having been successfully integrated into HMRC.

Our core customer-focused 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 | Develops and delivers policy reforms to the UK tax system to support government priorities, underpinned by high quality customer insight and analysis and working closely with HM Treasury |
| Valuation Office Agency | Executive agency which provides property valuations to support taxation and benefits and undertakes valuations for the public sector |

Our corporate services

| | |
|--|---|
| Change Delivery Group | Leads on some of HMRC's largest and most complex change programmes |
| People and Place Group | Develops and oversees implementation of HR policies that make HMRC a great place to work, with overall responsibility for our workforce planning, recruitment, talent management, estates and learning activities |
| 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 |
| Communications | Provides communications advice, support and services to HMRC and includes HMRC's Sustainability Team |

+ Read more about the VOA on pages 78 to 79.

+ Find out about our staff numbers and costs on pages 142 to 143.

Close the tax gap

This chapter reports on our work to close the tax gap – the difference between tax collected and theoretical tax liabilities – including what we did to make it easier for our customers to meet their tax obligations and prevent non-compliance.

“Our aim is for everyone to pay the tax that is legally due, no matter who they are. We are here to support customers to get their taxes right and make it hard for the dishonest minority to cheat the system. Our strategy is to fix problems before they arise, removing opportunities for error and fraud, while educating and prompting customers before they submit their tax return. And where we find deliberate non-compliance taking targeted action using the full range of powers to tackle evasion and fraud.



We aim to put HMRC’s Charter at the heart of everything we do: our Compliance Professional Standards embed the Charter in our compliance work, setting out clearly the way we will behave and act when conducting any form of compliance work. We are focused on building expertise and consistency across teams. This focus on professionalism underpins the investment in our workforce, where we have surpassed our growth targets, welcoming over 1,600 new colleagues in 2025 to 2026.

We are also making significant investments in the technology we need to prevent non-compliance, support customers, and counter the most serious attacks on the system, all of which will help us in our efforts to close the tax gap.”

Penny Ciniewicz

Director General, Customer Compliance Group

Lead metric: tax gap 2024 to 2025 (provisional)



6.4%



Definition:

The difference between tax collected and theoretical tax liabilities.



Read more on page 14

Lead metric: compliance yield delivered in 2025 to 2026 (target £50.4bn)



£50.2bn



Definition:

Money that would have been lost to the Exchequer without our intervention.



Read more on page 15

Closing the tax gap

We are committed to making compliance as easy as possible for those who are trying to get their tax right, while making it harder for those who seek to deliberately underpay or try to undermine the tax and customs system.

In 2025 to 2026, we raised £966.4 billion in tax revenue and brought in £50.2 billion that would have been lost if HMRC hadn't stepped in. The provisional tax gap for 2024 to 2025 remains low relative to estimates published by other tax authorities, at 6.4%. The tax gap is not driven by a single issue, but by long-standing structural factors within a changing economy. With an increasing number of taxpayers in the system, and more of those customers having complex tax affairs, maintaining the tax gap at current levels will require sustained compliance activity, policy change and improved HMRC productivity.

However, the additional investment set out in recent fiscal events and in our Transformation Roadmap supports our plan to reduce the tax gap over the coming years.

We are expanding our compliance workforce by recruiting an additional 5,500 officers through 2025 to 2030, ranging from trainees to more experienced tax specialists, who will continue to strengthen HMRC's expertise in managing complex tax risks and ensure businesses meet their tax obligations. This recruitment is ahead of our plan, with over 1,600 additional compliance officers joining us in 2025 to 2026, taking us up to a total over 2,100 so far.

To build the capability of new and existing colleagues, in 2025 to 2026 we set up the Tax, Customs and Compliance Academy. Alongside existing learning opportunities, the Academy provides training built around HMRC's Charter and Compliance Professional Standards and is at the heart of our commitment to meet professional standards consistently in everything we do (read more on building capability from page 49).

We are also investing in technology and capabilities to prevent non-compliance happening in the first place, to support customers in getting it right, and counter attacks on the system, including from organised crime. We are deploying data analytics in new ways to improve how we identify where non-compliance is likely to happen and detect more accurately where it has already occurred, to make our investigations ever more targeted and effective. Our enhanced analytical and intelligence capabilities better exploit the opportunities offered by third party data and artificial intelligence.

Overall, the government's investment in HMRC's people, technological transformation and wider policy change, will improve our productivity and enable us to deliver on our priority to reduce the tax gap by 2030 – with additional revenue expected from measures announced by the government of £10 billion per year by 2029 to 2030.

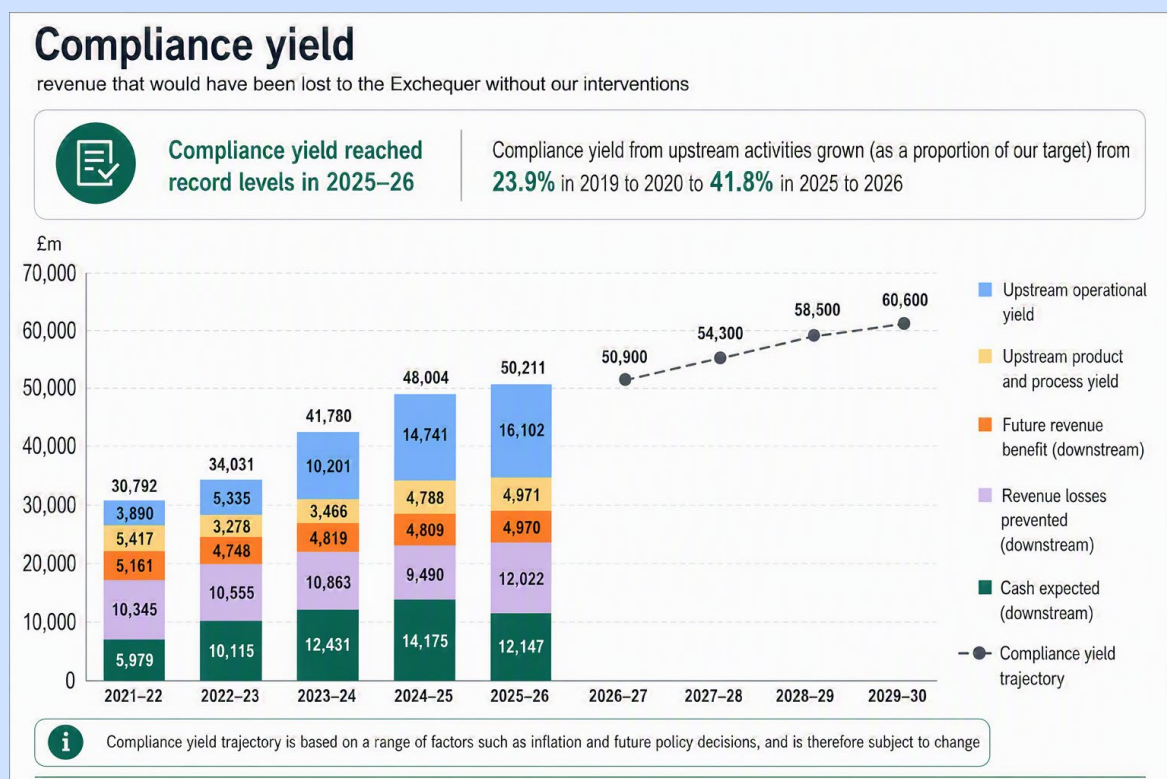
+ Read our latest tax gap report at www.gov.uk/government/statistics/measuring-tax-gaps

Figure 1: Compliance yield

In 2025 to 2026, we brought in £50.2 billion of compliance yield - revenue that would have been lost to the Exchequer without our interventions. This is the most compliance yield we have ever delivered, but marginally below our annual target of £50.4 billion, primarily due to the impact of changes to international tax rules (known as 'Pillar 2') following recent international agreements. This follows 2 consecutive years where we exceeded our target by £1.3 billion and £2.6 billion. Our compliance work returned, on average, £22 for every £1 spent on our compliance workforce in 2025 to 2026.

Making it as easy as possible for customers to get their tax right first time, and reducing the need for corrections after they have filed their tax return, is known as 'upstream compliance'. Compliance yield from upstream activities has grown as a proportion of our overall compliance yield target from 23.9% in 2019 to 2020 to 41.8% in 2025 to 2026.

Part of our 'upstream operational' compliance yield category recognises the wider deterrent effect of litigation outcomes that uphold HMRC's position on tax disputes, which prevent significant losses and discourage other taxpayers entering similar arrangements. This activity delivered £8.2 billion of compliance yield in 2025 to 2026, up from £7.1 billion in 2024 to 2025.



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 our technical note at: www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2025-to-2026

How we are helping customers to get their tax right

Our aim is to make it as easy as possible for our customers to get their tax right and we understand the tax system can be difficult to navigate. We recognise the importance of reassuring taxpayers who are trying to do the right thing, which will help us to continue building trust (read more on trust from page 35).

Modernisation

One way we are making it easier for people is through modernising how they interact with HMRC. For example, many small businesses struggle to understand which expenses they can claim, as identified through our engagement with external stakeholders. That's why, throughout 2025 to 2026, we worked with commercial software providers and agents to support 3.2 million small businesses to correctly claim business expenses by setting digital nudges that provided advice whilst the customer completed their return. This approach, alongside targeted communications to 1.2 million customers, led to more accurate reporting and brought in £36.4 million additional revenue in 2025 to 2026, with the full impact of around £250 million over 5 years. We are upgrading our IT and data infrastructure so that we can deliver more of these digital nudges in real time.

Making Tax Digital for Income Tax is also a key element of our modernisation, as set out in our Transformation Roadmap. It will help businesses stay on top of their tax affairs and get their tax right first time, while allowing us to offer a more supportive and efficient customer experience (read more on page 45).

To give customers more flexibility and control when making tax payments, in March 2026, we launched the Budget Payment Plan service that enables customers to make voluntary weekly or monthly payments in advance of their next Income Tax Self Assessment return. Looking ahead into 2026 to 2027 and beyond, we will further develop this service for individuals by introducing enhanced forecasting.

We're also supporting customers with Individual Savings Accounts (ISAs) by creating a modern digital reporting system for financial institutions operating ISAs, which will help to identify investors that have exceeded ISA limits more quickly. In 2025 to 2026, we engaged the ISA industry to ensure that the new digital system is practical and user friendly, and we will learn from user feedback and testing to ensure it is ready for phased introduction by 2028.

Guidance and education

Ensuring customers receive straightforward, accurate and consistent information is a key element of the HMRC Charter. That's why we continue to improve the clarity and accessibility of our guidance. In 2025 to 2026, this included updates to help:

- customers starting their first job – working with people aged 19 to 25 to design clear and practical guidance
- pensioners understand how tax applies to their pension and where to get support
- businesses better understand when and how they need to register for VAT
- companies to work out the correct amounts to deduct from their accounts

Our GOV.UK guidance was viewed 672 million times during 2025 to 2026, and more than 96% of customers did not navigate to our 'contact us' pages in the following 5 days. In 2025, 59% of small businesses answered positively when asked about how easy it was to find information from HMRC, an increase compared to 2024.

To help customers get their tax right first time, we also delivered a number of targeted tax education campaigns. These include:

- Get Tax Confident, aimed at small businesses and pensioners
- Don't Get Caught Out, helping customers protect themselves from tax avoidance schemes or making ineligible tax claims
- Side Hustles campaign, encouraging those with additional incomes to check their tax obligations and comply voluntarily
- Cryptocurrency compliance campaign, increasing customers' understanding of tax obligations among wealthy cryptocurrency asset users

To provide certainty for individuals and businesses undertaking complex transactions, we also publish 'Guidelines for Compliance' with examples, practical steps to follow, and use of images and diagrams to improve clarity on how to comply with the rules. In 2025 to 2026, we published 6 new or updated guidelines on topics such as freeports, investment zones and sharing group structure information.



Transformation Roadmap progress - closing the tax gap

The Transformation Roadmap, published in July 2025, set out how we will make it easier for customers to get their tax right and to close the tax gap, focussing on process and policy changes, increasing and strengthening HMRC's compliance and debt interventions, tackling fraud and economic crime, and raising the standards of advisers and intermediaries in the tax and customs system. We have made several changes in line with these commitments across 2025 to 2026, including:

Supporting customers

- to help protect our customers from being caught up in tax avoidance schemes, the government has introduced legislation that comes into effect from April 2026 to stop the use of fraudulent umbrella companies
- to provide better guidance and support for customers, we are improving how we manage and store data. In 2025 to 2026, we rolled out a new Central Customer Registry that connects records from across HMRC's tax and benefit systems into one trusted source which holds unified customer and organisation records, including Corporation Tax, Value Added Tax, Pay As You Earn, and Self Assessment. With this more accurate and accessible customer data, it will be easier for everyone to get their tax right first time. Read more on page 42

Setting adviser and intermediaries standards

- we have mandated the registration of tax advisers who interact with HMRC from May 2026, which will stop advisers who are not fit to act, from interacting with HMRC on a client's behalf. We have set out intermediary standards through our published Strategic Approach to Third Party Software and Strategic Approach to External Integration

Reducing tax debt

- we are focussing on reducing tax debt as a proportion of receipts as set out in our updated tax debt strategy. We are trialling collecting more aged debts with private sector debt agencies and restarting the use of existing powers to directly recover tax debts owed by individuals and companies who have the ability to pay but deliberately choose not to do so. Read more from page 27

Helping customers to not get caught out by tax avoidance

Tax avoidance involves 'bending' tax rules to try to gain a tax advantage that was never intended by Parliament, undermining fairness and trust in the tax system. Most tax avoidance schemes fail to deliver the promised savings, and those who use them often end up paying more, through penalties and interest.

To challenge promoters and others involved in the tax avoidance supply chain, we use a range of legislative powers and tools. This has led to several promoters exiting the market, and when new schemes emerge, we act quickly to shut them down. We also publish regular updates on schemes and those linked to them, helping customers recognise, avoid, or leave avoidance arrangements.

In 2025 to 2026, we published the details of 69 tax avoidance schemes, 68 promoters, and 58 connected persons, such as directors and those in control of the promoting entity. We also

issued 8 stop notices to promoters, requiring them to stop promoting the tax avoidance scheme specified in the notice. This is lower than the 40 issued last year, largely due to arrangements being stopped at an earlier stage where we've used other available powers. 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. Since 2021, we have imposed around £42 million of penalties on promoters for failing to comply with a stop notice.

In March 2025, the government launched a consultation on a package of measures to close in on promoters of tax avoidance. Following this, new powers were introduced in the Finance Act 2026 to strengthen existing deterrents and make it riskier to continue promoting tax 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
- + Read about the litigation decisions where HMRC considered tax avoidance was involved at www.gov.uk/government/publications/tax-avoidance-litigation-decisions

Raising standards in the tax advice market

Approximately 85,000 firms provide tax advice and services to millions of taxpayers in the UK. 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.

In line with our Charter commitment to make things easy and support customers to get things right, we are taking action to raise standards in the tax advice market and improve the service HMRC provides to tax advisers. Starting in May 2026, all tax advisers who interact with HMRC on behalf of a client must register and meet minimum standards before doing so, fulfilling a Transformation Roadmap commitment. In 2025 to 2026, we worked closely with professional bodies and tax advisers to refine the legislation and design the new IT system.

We continue to take action against breaches of our Standard for Agents. In 2025 to 2026, we suspended or blocked access to HMRC services 3,828 times and made 34 public interest disclosures concerning misconduct to the relevant professional body. We also conducted 188 investigations into the tax affairs of advisers, generating £7.45 million in compliance yield.

Managing large businesses and tackling non-compliance

Our Large Business directorate works with around 2,000 of the UK's largest businesses through the Customer Compliance Manager (CCM) model, as their size, complexity and the tax at stake mean this is the most cost-effective way of ensuring they pay the right amount of tax.

Each large business has a dedicated CCM, who are experts in their field and build an in-depth knowledge of the business and the sectors it operates in. CCMs are supported by tax specialists and can call on expert resource depending on the issue being addressed.

We subject large businesses to an exceptional level of scrutiny, actively investigating the tax affairs of around half of the UK's largest businesses at any one time.

In February 2026, the NAO published a report concluding that our approach to taxing large businesses offers good value for money. They highlighted that our work with the largest and most complex businesses generated £15.8 billion in additional tax during 2024 to 2025, double the amount achieved in 2021 to 2022. This work brings in £95 for every pound spent.

- + Read our large business compliance technical note www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2025-to-2026

The government announced at Autumn Budget 2025 that, from April 2026, HMRC can take stronger and swifter action to investigate and penalise advisers who intentionally facilitate non-compliance in their clients' tax affairs.

+ Read HMRC's Standard for Agents at www.gov.uk/government/publications/hmrc-the-standard-for-agents

Addressing non-compliance

We use HMRC's civil powers and pursue criminal investigations where necessary to protect revenue for public services, enforcing the rules of the tax system and tackling those who choose to not pay what they owe. In 2025 to 2026, we carried out 306,000 compliance checks to ensure the right tax is paid, a decrease of 10,000 compared to 2024 to 2025.

Strengthening the reward scheme for high-value tax fraud

In 2025 to 2026, we received 170,992 reports alleging non-compliance. 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 we made payments worth a total of £1.388 million.

At the Autumn Budget 2025, the government announced a strengthened reward scheme that increases the amount that eligible informants could expect to receive for reporting high-value tax fraud and tax avoidance. Under this scheme, informants could receive between 15% to 30% of the value of the additional tax collected by HMRC that results from information provided by the informant, subject to meeting eligibility criteria. This strengthened reward scheme will help us to tackle serious non-compliance involving large companies, wealthy individuals, offshore structures and avoidance schemes.

+ To report tax fraud or avoidance to HMRC, please visit www.gov.uk/report-tax-fraud

Tackling serious fraud and economic crime

We use our extensive powers and specialist investigative capabilities to uncover some of the most complex and determined fraud, including organised criminal attacks on the tax system. We focus our resources where they will deliver the greatest impact.

Usually, this involves using our civil powers to assess tax and impose penalties and fines of up to 200% of the tax liable. In 2025 to 2026, our Fraud Investigation Service opened over 8,600 new investigations, securing and protecting £2.09 billion from civil work to tackle fraud. Where appropriate, we will pursue criminal investigations, seeking prosecutions and confiscations to recover the proceeds of crime. In 2025 to 2026:

- we opened 494 new criminal investigations, an increase of 10.8% compared with 2024 to 2025
- we achieved 468 positive charging decisions, with 300 prosecutions brought as a result of our criminal investigations, and over 1,100 individuals awaiting trial in respect of an HMRC investigation
- we secured 260 convictions with an 87% success rate in court
- £2.11 billion was secured and protected by our criminal investigations

As announced at Spring Statement 2025 and in the Transformation Roadmap, we are expanding our counter-fraud capability to increase the number of annual charging decisions for the most harmful fraud to 600 per year by 2029 to 2030.

This enhanced capability will focus on tackling fraud that harms legitimate trade and small businesses, fraud committed by the wealthy, fraud facilitated by those in large corporations, and by individuals and companies that enable money to be hidden offshore. It will also address organised criminal attacks, focusing on illicit finance and complex money laundering.

To help tackle the growing threat of cyber-attacks on HMRC systems, in 2025 to 2026 we also invested in new specialised teams to bolster existing capabilities, whilst deploying a range of enhanced digital tools (see page 44 on how we protect against attacks on our systems).

HMRC also works with partner organisations to combat tax fraud and protect the UK's economic security. We collaborate with law enforcement agencies such as the National Crime Agency and National Economic Crime Centre, Border Force, financial institutions, professional bodies, the Financial Conduct Authority, the UK intelligence community, as well as international tax and customs authorities. We work with devolved governments through joint enforcement, legislative measures, and shared expertise to prevent and investigate tax fraud across the UK.

+ Read about our Fraud Investigation Service's approach to tax compliance and fraud in our technical note: www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2025-to-2026

Tackling VAT fraud - Operation Barbados

A network of corrupt company directors were jailed for more than 70 years, after they were caught planning an elaborate £20 million tax fraud during clandestine meetings. The company at the heart of the fraud deliberately understated how much VAT was owed to HMRC on largely fictitious supplies of telecommunications and internet airtime to UK suppliers.

Critical evidence was secured when key conspirators were caught openly discussing at hotel meetings how they could just "invent the numbers" to falsely offset VAT claims. The complex fraud was dismantled by HMRC investigators, which ultimately led to 20 convictions. In addition to the prison sentences, the case resulted in Director disqualifications of more than 100 years.

Tackling illegal activity on the high street

Some types of high street businesses facilitate illegal activity, causing significant harm and making it difficult for legitimate businesses to compete. We are committed to tackling this problem, and we are actively involved in cross-government initiatives targeting high risk, cash-intensive businesses on the high street. Through Operation Machinize, an initiative led by the National Crime Agency targeting the criminal exploitation of high street businesses, in partnership with other law enforcement organisations, HMRC carried out visits to 362 premises in 2025 to 2026, resulting in the seizure of £55,000 of cash and £244,000 of goods.

We also issued more than £2 million in penalties in relation to seizures made by Trading Standards as part of Operation CeCe, a joint initiative between HMRC and Trading Standards to target illicit tobacco at local retail level. In 2025 to 2026, this operation saw Trading Standards seize over 35 million cigarettes and over 8 tonnes of hand rolling tobacco, preventing revenue losses to the exchequer of more than £25 million.

We are participating in the Home Office-led, cross-government taskforce (now called the High Street Organised Crime Unit), to tackle illegal activity on the high street and have secured funding from the Home Office to expand our high street focused operations. We are increasing our operational focus on high-risk, cash-intensive businesses on the high street, which will include wider investment in additional criminal investigators.

Using Automatic Exchange of Information to address offshore non-compliance

The UK plays a leading role in international cooperation on tax transparency. In 2025 to 2026, we received Common Reporting Standard (CRS) information relating to calendar year 2024 on over 11 million financial accounts from 104 jurisdictions.

We analyse this alongside other data and intelligence that we hold and compare it with customers' data. This deters non-compliance and helps us support customers, by prompting those who may have got it wrong to correct any undeclared offshore tax.

We have secured £1.13 billion in compliance yield directly from international automatic exchange of information agreements since we first started receiving CRS data in 2016 to 2017.

Increasing transparency and collaboration on cryptoassets

In January 2026, the UK implemented the Organisation for Economic Co-operation and Development's Cryptoasset Reporting Framework (CARF), with the extension of the rules to domestic reporting taking effect at the same time.

UK cryptoasset service providers are now required to undertake due diligence and collect specified information on users and transactions and report it to HMRC annually.

We will exchange that information on non-UK tax residents with relevant international partners and receive information from them on UK tax residents. This helps to improve tax transparency and reduce the risk of cryptoasset related tax non-compliance.

In 2025 to 2026, we published detailed guidance to support cryptoasset businesses and cryptoasset users in the UK, and we will continue to engage the industry directly through working groups, social media campaigns and direct technical support.

AI focus - close the tax gap

The use of AI and advanced analytic tools across HMRC supported the protection and recovery of £10 billion in tax in 2025 and 2026. This reflects tax protected and recovered from compliance interventions directly enabled by the use of AI and advanced analytical tools and techniques.

We are continually innovating - the examples below demonstrate how we're using modern technologies to help us reduce the tax gap:

- **improving targeting of compliance activity:** we are using AI and advanced analytics to highlight where tax returns may contain inaccuracies, which remains one of the main ways we identify cases for further investigation and intervention
- **supporting complex casework with document analysis tools:** we are deploying Natural Language Processing to assist complex cases, enabling caseworkers to efficiently scan large volumes of documents and identify key information relevant to investigations
- **using external expertise to tackle evasion:** HMRC's Data Competition brings together expertise and innovation from across the UK's private sector to explore novel analytical techniques and data to identify deliberate tax evasion. We will work with our two successful finalists to explore how their proposed ideas can be developed and tested, to help us close the tax gap
- **improving casework efficiency and targeting non-compliance:** we're trialling and beginning to adopt Copilot, which will allow caseworkers to summarise information more efficiently. New AI tools are being designed to allow caseworkers to quickly access guidance, receive rapid summaries of cases, and efficiently query large datasets and documents to unpick the key issues in some of our most complex casework.

+ Read how we are using AI to support customers on page 43 and how AI is improving how we work on page 52.

Tackling repayment fraud

Repayment systems are a target for organised criminals, so we aim to prevent fraud by strengthening our security controls to stop fraudulent access to our systems, by having effective risk-based controls at the point of registration and repayment and by targeting the criminal groups behind these types of fraud. We have continued to see attempts to exploit both PAYE and VAT repayment routes, activity that puts customers at risk and challenges the fairness of the tax system we work to protect.

VAT is a particular focus as repayments are a normal part of the VAT system, with HMRC reporting £115.7 billion in repayments in 2025 to 2026 (read more on repayment revenue from page 203). During this period, HMRC has seen a significant increase in VAT fraud attempts relating to criminals taking control of recently registered VAT accounts before legitimate customers could.

Revenue losses relating to VAT repayments in 2025 to 2026 were £46 million, 0.04% of the total amount repaid across the same period, while our actions prevented further losses of £921 million. We estimate that fraudulent PAYE repayment claims have resulted in revenue losses for the exchequer of £8 million in 2025 to 2026, while our enhanced repayments and identity verification controls have prevented further PAYE losses of around £150 million over the same period.

We acted quickly to respond to these attacks, securing affected customer accounts, providing direct support to those affected and delivering IT changes to reduce opportunities for this type of fraud. These are attempts to claim money fraudulently from HMRC and no customer has suffered financial loss as a result, though some experienced delays while accounts were secured and reset.

We are also taking action to speed up the processing of legitimate repayments. We have increased the capacity and flexibility of key teams, for example, so we can respond more quickly to changing patterns of customer demand; and we have established a dedicated team to accelerate the clearance of older repayment cases (read more on page 32).

Tackling abusive phoenixism

Phoenixism is where the same business or directors trade successively through a series of companies that liquidate or dissolve, leaving unpaid debts. Abusive phoenixism occurs when individuals use companies repeatedly to evade debts or for fraudulent purposes. We estimate that phoenixism accounted for around £750 million of tax losses in 2023 to 2024, compared to £910 million in 2022 to 2023 (see page 26 for further detail on losses). The 2022 to 2023 estimate is marginally higher than what was included in the 2024 to 2025 Annual Report and Accounts, primarily due to adjustments to the underlying data – as debts require time to be finalised.

An estimate for 2024 to 2025 will be published once a more complete dataset is available, with estimates subject to revision as we refine and improve our methodology.

We work closely with Companies House and the Insolvency Service to tackle the misuse of the insolvency regime, including abusive phoenixism and the rogue directors behind it. We are strengthening this collaboration through increased data and intelligence sharing, so that all appropriate tools can be used to help recover tax and target those responsible. The government has also announced funding for a new Abusive Phoenixism Taskforce within the Insolvency Service, which will investigate directors who deliberately liquidate or dissolve companies to evade tax and write-off debts.

We have also increased the use of up-front payment demands called securities in 2025 to 2026, protecting £255 million of tax revenue, and used our legal powers to hold directors personally liable in cases of tax avoidance, evasion, or repeated non-payment of tax - making them joint and severally liable for £97.7 million of tax owed by companies. We work closely with the Insolvency Service to take action against misconduct, who obtained 110 enforcement outcomes related to abusive phoenixism in 2025 to 2026.

Collecting debt

Our published tax debt strategy explains how we manage the money owed to HMRC and is built around four strategic pillars:

- preventing tax debt
- tailoring interventions to customers' circumstances
- resolving debt effectively and efficiently
- being adaptable to changing economic conditions

We are a responsible creditor – we take firm action against those who can afford to pay but choose not to, and support customers who need help with their payments. At Budget 2025 we published an updated tax debt strategy, setting out what we have done so far and what we plan to do next. Our goal is to reduce tax debt each year as a proportion of the tax we collect (referred to as tax receipts), so that our progress reflects changes in the tax system and the wider economy.

We have already made good progress, but we know there is more to do. That's why we are:

- transforming how we manage tax debt by automating more processes and expanding our digital services, so customers can manage their own tax affairs more quickly and easily and get things right first time
- making better use of data to target our activity and use our existing powers more effectively
- continuing to support those who engage with us, while considering new tools and powers to remove the unfair advantage from those who deliberately choose not to meet their responsibilities

In 2025 to 2026, we resolved around £102 billion of debt. A resolution is when a debt is concluded during the year, most commonly through payment or losses – it does not include outstanding debt in a payment plan. The vast majority, around 82%, of resolutions in 2025 to 2026 were due to the debt being paid.

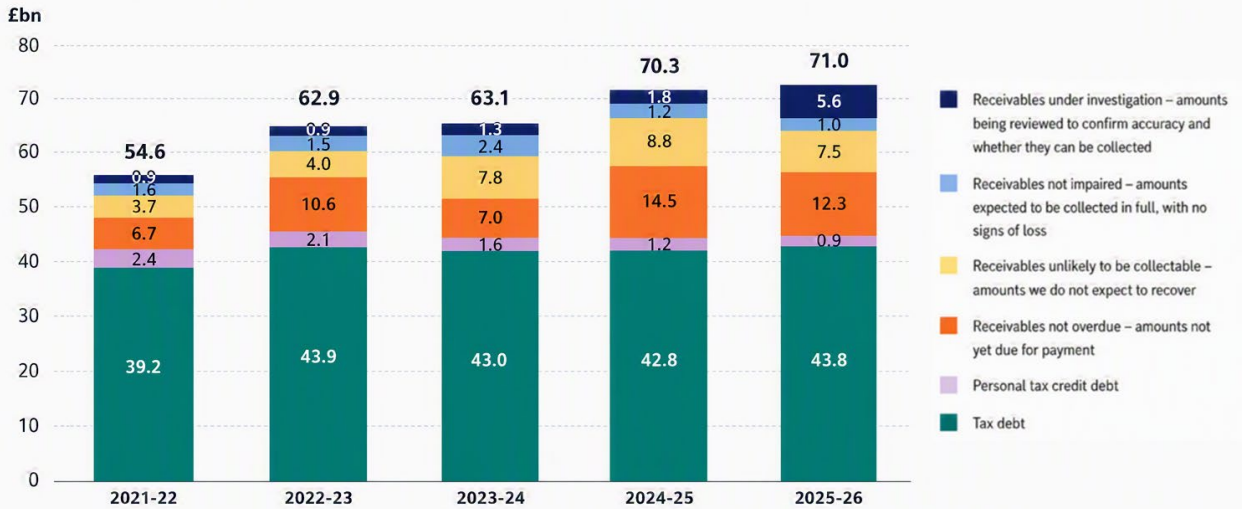
As a result of the actions we are taking, tax debt as a proportion of total tax receipts fell from 5.0% in 2024 to 2025, to 4.7% in 2025 to 2026, which was within our forecast range. By the end of 2025 to 2026, the total debt balance had increased to £44.7 billion, from £44.0 billion at the end of March 2025. This reflects continued pressure on the debt balance, driven by rising tax liabilities and wider financial pressures affecting customers.

Figure 2: Receivables and tax debt as a % of receipts

Receivables

'Receivables' include all amounts that customers are due to pay but have not yet paid, even if the payment deadline has not passed. They only become classed as 'debt' once overdue if the amount owed is not under appeal

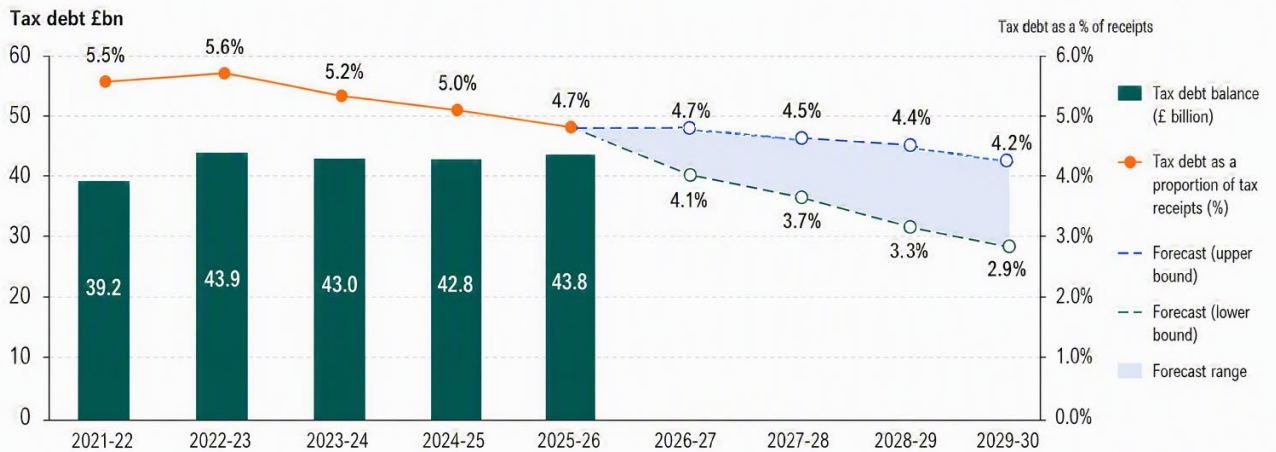
- 1** At the end of March 2026, gross receivables amounted to £71.0 billion, compared to £70.3 billion at the same point in 2025.
- 2** This includes our total debt balance of £44.7 billion, which is made up of tax debt (£43.8 billion) and personal tax credit debt (£0.9 billion)
- 3** Around 15% of the total debt balance is currently being paid through a payment plan.



Tax debt as a % of receipts



Our tax debt strategy includes an illustrative trajectory for tax debt as a proportion of tax receipts, which suggests a range of around **3% to 4%** by 2029 to 2030 due to the impact of our planned interventions.



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

Taking action against those who choose not to pay or engage with us

When customers can pay some debt, but choose not to meet their responsibilities, we must use our powers to protect the public purse. This ensures fairness for the vast majority who pay on time.

HMRC enforces the payment of overdue tax through measures such as taking control of goods, pursuing debts through the courts, and insolvency proceedings. We are also restarting direct recovery from bank accounts after successfully testing our processes in recent months, and we will be increasing volumes in phases across 2026 to 2027. We give customers many opportunities to engage with us before we use these powers and there are safeguards to ensure that our actions are fair and proportionate. Customers have a right of appeal if they dispute the amount owed.

We continually consider ways to go further to ensure the timely payment of tax and help customers to recognise their responsibilities. It is important for us to look at all types of debts and ensure that we are collecting as much as possible, no matter the size or tax regime.

Supporting customers who are in debt

In line with our Charter standards, we take a supportive approach to customers who need help with their payments, considering our customers' personal situations and providing extra support if needed (read more about our Charter standards on page 35). We offer flexible Time to Pay plans for businesses and individuals who are unable to pay their tax on time due to temporary financial difficulties, supporting customers to pay their liabilities in affordable and sustainable instalments. These are tailored to individual circumstances and, in line with our commitment to be a responsible creditor, we won't agree a payment plan if we think the customer cannot afford it.

We know how important it is for customers to have control over their tax affairs and to be able to resolve their debt position themselves. To make it easier and faster to pay, customers can set up their own payment plans online for Income Tax Self Assessment, PAYE and VAT debts, provided certain criteria are met – and in 2025 to 2026, 138,000 payment plans were set up online. We continue to enhance this service, and in 2025 to 2026, we extended it to Simple Assessment customers.

Over 90% of Time to Pay plans are completed successfully and by the end of 2025 to 2026, we were supporting over 884,000 customers in this way, a decrease of around 29,000 compared with the end of 2024 to 2025. This primarily reflects a change in customer population following the closure of tax credits in April 2025, rather than a reduction in the use of Time to Pay for tax debts.

+ Read more about how to set up a Time to Pay payment plan at www.gov.uk/difficulties-paying-hmrc/pay-in-instalments

If we cannot collect the debt

It's not always possible to collect debts, and when we can't, they become 'tax losses' – which can be classed as 'write-offs' or 'remissions'.

Money owed, but for which there are no means of pursuing the debt, is called a write-off. This includes debts owed following a company liquidation or personal bankruptcy. Most insolvencies are voluntary, with customers responsibly using insolvency procedures to resolve their financial affairs. 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.

Tax losses increased from £7.2 billion in 2024 to 2025, to £12.8 billion in 2025 to 2026. This reflects growth in tax debt above historic levels and the lag before HMRC concludes its recovery activity, meaning losses often materialise some time after the debt is first incurred. We also continue to manage the unwinding of delays to formal insolvency caused by court restrictions in 2020 and 2021, alongside the knock on effect of support measures at the time – where HMRC paused most of its debt collection activity during the COVID-19 pandemic, sending fewer letters, and ceased court action and other enforcement activity almost entirely. Tax losses in 2025 to 2026 represented 1.4% of total tax receipts, compared with 0.8% in the previous year.

Investment in debt management

As outlined in the Transformation Roadmap, government investment has allowed us to retain around 1,200 existing debt management colleagues until March 2030 and recruit a further 1,200 debt management staff by the end of 2028 to 2029. In 2025 to 2026 we accelerated our plans and recruited 540 additional colleagues - helping us collect as much debt as we can, as quickly as possible.

Following a successful trial to collect more tax debt through private sector debt collection agencies (DCAs), launched after Spring Statement 2025 and highlighted in the Transformation Roadmap, we secured further funding at Budget 2025. The DCAs we work with are regulated by the Financial Conduct Authority, and we undertake regular reviews to make sure they follow our strict processes and guidance.

These investments are expected to help us collect over £12 billion more debt by the end of 2030 to 2031. We have collected £1.4 billion to the end of 2025 to 2026, putting us approximately £400 million ahead of where we expected to be at this stage. We are confident that the actions we are taking will deliver sustained reductions in tax debt as a proportion of receipts.



Improve day-to-day performance and the overall experience of our customers

This chapter reports on the progress made in 2025 to 2026 on improving day-to-day performance and the experience of our customers, by building a more effective, agile and digitally focused HMRC.

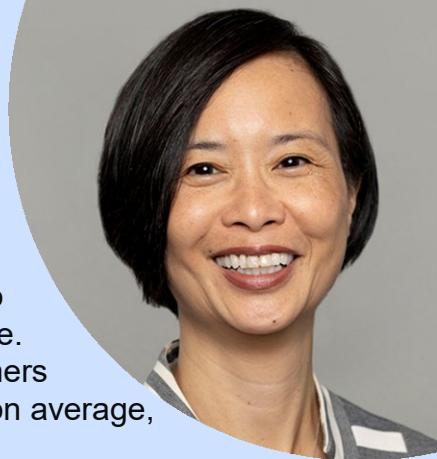
“Improving our customers’ experience remains a key priority, with a strong focus on making it simpler and quicker to deal with HMRC. More customers are choosing our digital services, which provide a fast and convenient way to manage their tax affairs, with the HMRC app used 158.8 million times in 2025 to 2026.

We’ve enhanced our guidance and redesigned key services so customers can feel more confident and get things right first time. These changes are already making a difference. When customers need to speak to us by phone their calls are being answered, on average, more quickly than last year.

There is more to do, but the progress made this year is helping us to deliver our Charter standards and build a more modern, reliable service that customers can trust.”

Myrtle Lloyd

Chief Customer Officer and Director General, Customer Services



Lead metric: digital shift



78.0%



Definition:

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



Read more on page 29

Lead metric: customer satisfaction (target 80%)



79.4%



Definition:

survey-based measure of the percentage of HMRC customers who were 'satisfied' or 'very satisfied' having interacted with us



Read more on page 30

A digital-first experience for customers

Whether they are fulfilling their own or their clients’ tax obligations, claiming benefits, or trading across the UK border - our customers rightly expect interacting with HMRC to be straightforward and convenient. Evolving into a more modern, digital-first organisation will enable us to better meet those expectations, improve the customer experience and earn public trust.

More customers are getting a better service by using our digital services to manage their tax affairs and resolve issues. Table 1 demonstrates our digital shift over time:

Table 1 – digital shift over time (note: some metrics not available for 2021-22)

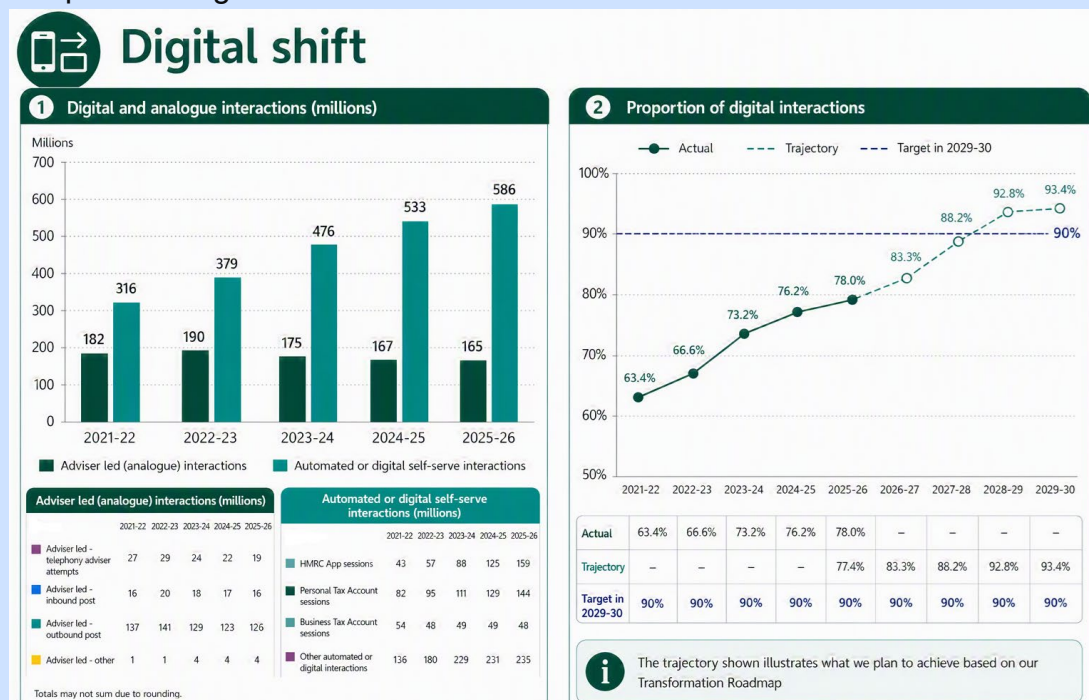
| Measure | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|---------|---------|---------|---------|---------|
| Unique users of the HMRC app (m) | 1.6 | 2.3 | 3.8 | 5.9 | 7.6 |
| New app users added (m) | - | 1.0 | 1.8 | 2.8 | 2.8 |
| Proportion of Self Assessment returns filed online (%) | 95.9% | 96.4% | 97.0% | 97.3% | 97.3% |
| Self Assessment payments made through the app (£m) | - | 30.3 | 602.5 | 1,129.9 | 1,892.9 |
| Proportion of HMRC app and Personal Tax Account users who do not call HMRC within 7 days of using their digital account | - | 93.8% | 95.0% | 97.1% | 97.4% |

Figure 3: Digital shift

Self-serving via the HMRC app or GOV.UK allows individuals and businesses to manage their tax affairs quickly and conveniently, without needing to call us. This frees up our advisers to spend more time supporting vulnerable customers and those who cannot access online services, or who have more complex needs. In 2025 to 2026, around two thirds of our inbound calls handled by advisers could have been resolved by our digital services or guidance.

Most interactions are already through our digital or automated services and we continue to expand and improve them, so that routine tasks are faster and simpler to complete. In 2025 to 2026, 78.0% of our interactions with customers were through digital or automated channels, building on the upward trend of recent years and helping us move towards our aim of at least 90% by 2029 to 2030.

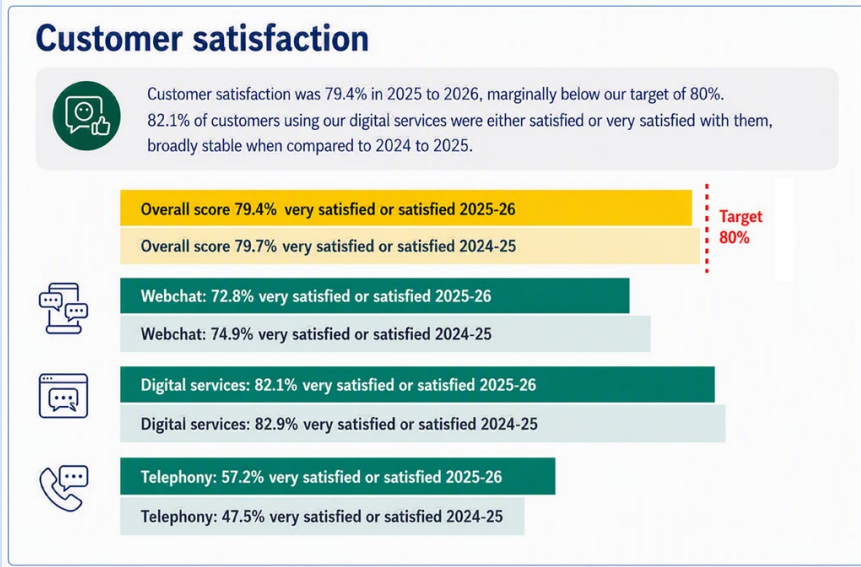
We are building on this progress through planned enhancements over the next four years, giving customers more reliable and convenient options for managing their tax affairs, while ensuring tailored support remains available for those who need it. The charts below show our planned digital shift over time.



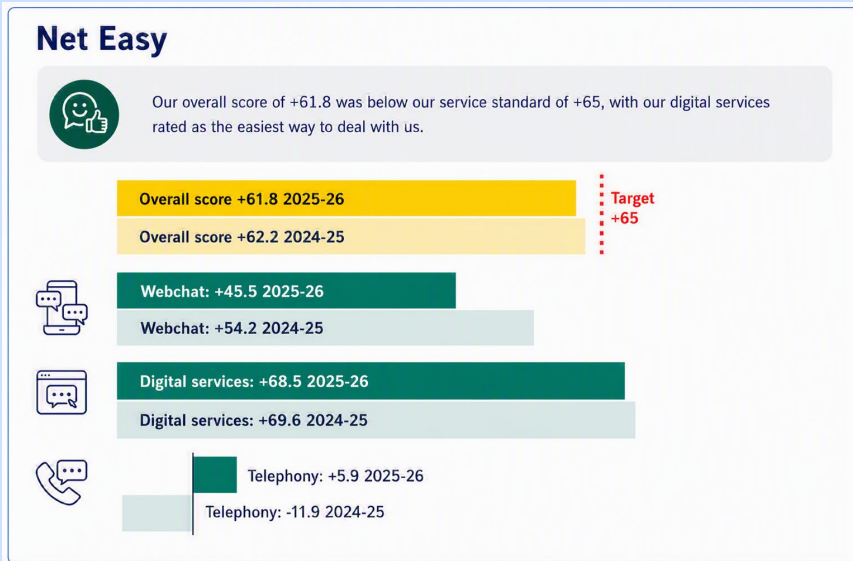
How customers rate our online services

Customers rate our app highly - with a rating of 4.8 out of 5 on the Apple App store, 4.6 out of 5 on the Google Play store in April 2026 - and satisfaction with our digital services is consistently over 80% (see figure 4). Customers using our digital services generally find them easy to use (see figure 4).

Figure 4: Customer satisfaction and ease: digital, webchat and telephony contact



We also measure how easy customers find dealing with us. This is based on a survey offered to customers after their interaction which asks: ‘how easy was it to deal with us today?’ The score is calculated as the total number of positive responses minus the total number of negative responses.



As part of our Spending Review settlement, we plan to deliver our service standard for customer satisfaction and net easy each year to 2029 to 2030.

In 2025 to 2026, 85.6% of customers responded ‘yes’ when asked whether they were able to achieve what they needed to after interacting with us, maintaining our performance when compared to 2024 to 2025 (85.5%).

Transformation Roadmap progress – becoming a digital-first service

The Transformation Roadmap sets out how we will continue to improve our digital services for individuals, small business and agents, while improving targeted support where required. Customers are already starting to benefit from a range of new guidance, services and functionality that we delivered or began working to deliver in 2025 to 2026, including:

Viewing and managing PAYE details online

The online PAYE service allows customers to more easily understand their tax position. They can now use it to view information about their PAYE income, allowances, benefits and deductions, as well as a timeline of activity and information about employments and pensions. They can also add or end income sources and access detailed support and explainers.

Modernising the digital Self Assessment service

We have improved the digital Self Assessment registration and opt-out processes, with the new registration service used by over 41,000 customers at the end of 2025 to 2026, and over 86,000 customers using a digital service to inform HMRC that they no longer need to file a return. We have also improved the late filing and late payment penalties online appeals process, with a digital appeals process replacing paper processes and speeding up decisions for customers.

One Login for government services

Individual customers who are new to HMRC can now access our digital services using GOV.UK One Login, which is a simple, joined-up and secure way of accessing government services. In line with our Transformation Roadmap, we will begin moving existing HMRC customers to GOV.UK One Login in phases, followed by agents and businesses, as the service continues to expand.

Paying the High Income Child Benefit Charge through PAYE

The new High Income Child Benefit Charge (HICBC) digital service launched in September 2025, which allows eligible customers to pay the HICBC through their tax code, so they no longer need to register for Self Assessment or file a tax return.

Improving our guidance and education

We continue to raise awareness and understanding of tax among children and young people through our Young Enterprise accredited Tax Facts Programme. In 2025 to 2026, our Tax Facts materials were downloaded 4,390 times, and colleagues delivered 217 sessions to an estimated 15,706 young people.

As set out in the Transformation Roadmap, we also developed and tested a new module for students aged 16 and over in vocational settings, which will be rolled out further in 2026 to 2027. This new resource will specifically support students studying vocational courses, many of whom are likely to start their careers as self-employed or small business owners.

Improving phone and correspondence performance

While more customers are getting a better service by using our digital services to manage their tax affairs and resolve issues, we recognise that this isn't always the right option for everyone. In April 2025, to improve performance across our telephone and correspondence services, we set up our Customer Experience Directorate, bringing together customer-focused teams from across HMRC to improve the experience at every touchpoint, in line with our Charter standards.

Customers calling us received a better service with more attempts to speak to an adviser being answered in 2025 to 2026 and calls answered more quickly, compared to 2024 to 2025 (see figure 5). This progress was achieved due to the work we've been doing to reduce the need for customers to contact us – including improving our digital services and guidance – and the additional funding we received, which enabled us to deploy more customer service advisers. While this represents clear progress compared to previous years, we recognise there is more to do to consistently meet our service standards year-on-year.

2025 to 2026 also saw us begin sourcing new IT platforms to improve how we manage customer contact. These will help us create a single, streamlined contact centre that links service channels and directs people to the right adviser or automated support.

We also continued to strengthen our correspondence handling after a challenging start to 2025 to 2026 (see figure 6) The main drivers of correspondence include paper Self Assessment returns, agent authorisation requests, Childcare Services eligibility queries and the use of the Tax Estimation Service.

But there is more to do as backlogs remain in several areas. These can create uncertainty for customers and lead to avoidable contact and complaints, particularly where customers are waiting for repayments.

For 2026 to 2027 we intend to move from reactive “recovery” activity to ongoing sustained control, in line with our Charter standard of ‘being responsive’. We have already increased capacity in key teams, increased workforce flexibility to move between priority areas, and are setting up a dedicated team to speed up the clearing of older repayment cases. Taken together these actions will improve customer experience, help customers receive the money they're owed more quickly, and stop new backlogs building.

Case study: Self Assessment Saturday

In 2025 to 2026, the Self Assessment deadline (31 January) fell on a Saturday. To make sure our customers were supported we delivered an enhanced service – opening the Self Assessment and Online Services helplines. Advisers answered around 10,400 calls and made over 1,200 callbacks to customers. We also increased webchat capacity with around 315 advisers on hand to help customers across Self Assessment, Agent Dedicated line, Extra Support, Bereavement and Online Service Helpdesk – handling over 5,400 webchats on the day.

Together, this strengthened the multichannel support available and ensured customers could access help when they needed most. It was a collective effort, made possible by HMRC colleagues who volunteered to ensure sure every customer could get the support they needed.

Figure 5: average call answering times and telephony adviser attempts handled



Average call answering times fell during 2025–26

The average amount of time customers spent waiting in a call queue fell to under 10 minutes in March 2026, demonstrating further progress from the peak wait times in 2023 to 2024. The average across the year was 12 minutes and 35 seconds. We remain focused on continuing this improved performance in 2026 to 2027.

Average time to answer (minutes:seconds)



Adviser attempts handled target met in 2025–26 as call volumes declined

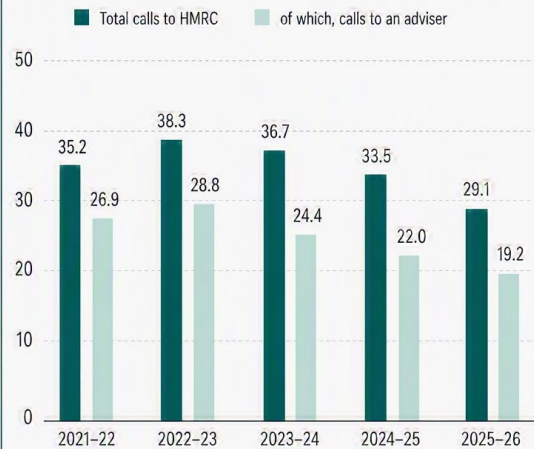
We also measure telephony 'adviser attempts handled', which shows the proportion of callers who got through to an adviser after hearing the automated messages and choosing to speak to an adviser. Our performance in 2025 to 2026 was 85.1%, meeting our target of 85% and an improvement on 2024 to 2025 (71.5%).



Proportion of adviser attempts handled



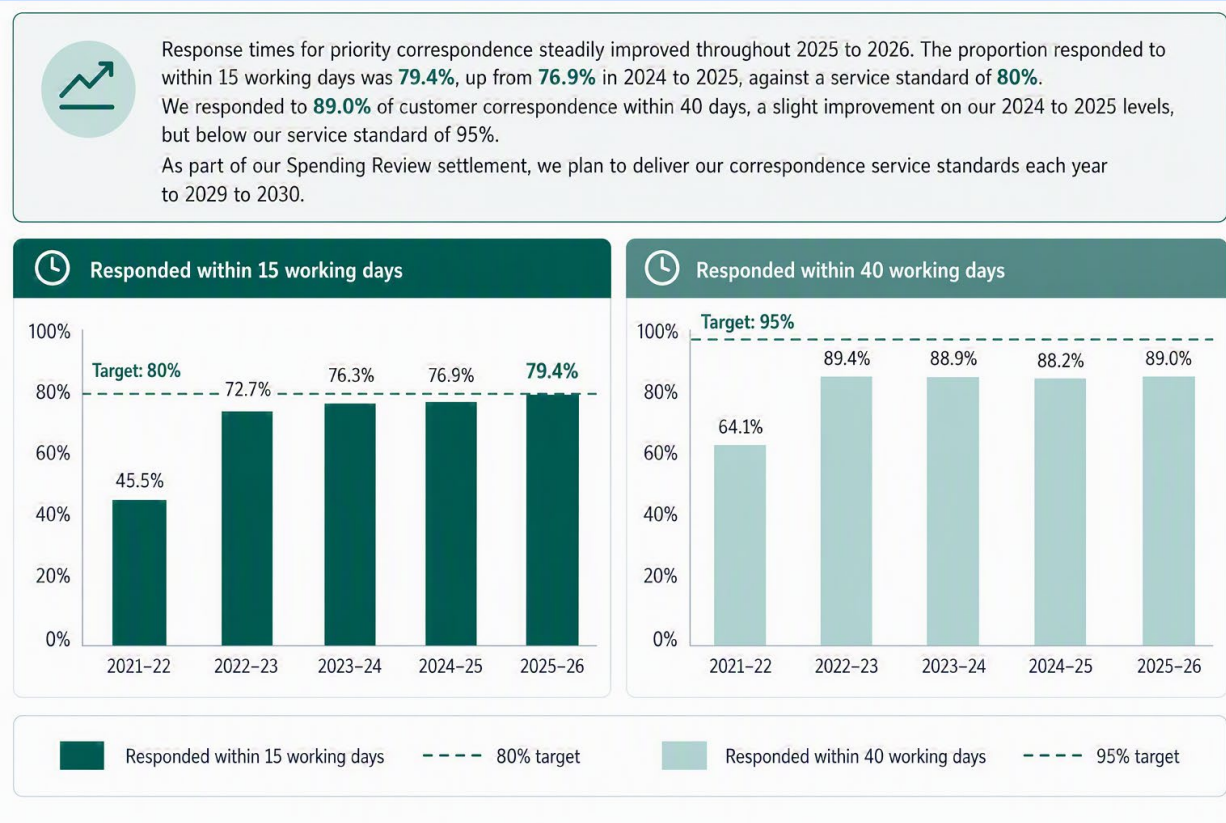
Call volumes (millions)



We balance the volume of incoming calls with the number of advisers available to them. Call volumes fluctuate throughout the year, especially around tax administration milestones like the Self Assessment deadline; so resourcing to answer every call during peak periods of customer demand would leave advisers underused during quieter periods, making it an inefficient use of taxpayers' money. That's why we aim to handle 85% of attempts to speak to our advisers – which we met this year. As part of our Spending Review settlement, we plan to deliver our telephony service standard each year to 2029 to 2030.

In 2025 to 2026, we also answered 95.6% of webchats (where the customers took up a webchat offer) with an average wait time of 1 minutes and 21 seconds across the year.

Figure 6: % of customer correspondence responded to within 15 and 40 working days of receipt



Improving the experience for tax advisers

We recognise that tax advisers, such as accountants and bookkeepers play an important role in the tax system, performing a range of functions on behalf of their clients and helping them pay the right amount of tax at the right time. It is therefore important to provide advisers with the services they need, both analogue and digital, to enable them to support their clients effectively and fulfil our Charter standard of ‘recognising that someone can represent you’.

We are working closely with the Agent Digital Design Advisory Group to modernise HMRC’s tax adviser registration services, as we committed to in the Transformation Roadmap. Through this work we’re making registration simpler, more efficient and increasingly automated. Registration is due to start from May 2026, using a staggered approach with different sectors.

We continue to listen to what tax advisers want from us, and in 2025 to 2026 we created the Tax Agent’s Handbook to help them more easily find the guidance, services and information they need and continued to make improvements to our technical manuals based on their feedback.

We also made a number of improvements to our digital services for tax advisers in 2025 to 2026, for example:

- allowing customers to authorise more than one tax adviser in Making Tax Digital for Income Tax

- introducing a webchat service for tax advisers in Self Assessment and PAYE
- introducing a pre-complaint resolution service for tax advisers with business and individual clients
- giving agents with clients who are signed up to Making Tax Digital for Income Tax greater access to see and manage their client's affairs, through a new 'Manage your Self Assessment' service for agents

Through the 'Manage your Self Assessment' service, agents can view client obligations, payments and tax return calculations – and we plan to add further new services, such as adjusting a payment on account and claiming a repayment.

In 2025, 62% of surveyed agents reported a positive experience dealing with tax issues, unchanged from 2024. So, while we are making progress, we recognise there is still more to do to provide tax advisers with the services they need. We remain committed to working with them and their representative bodies to continue improving our services.

Adhering to our Charter Standards to build trust

Our customers rightly expect a high standard of customer service and our Charter explains how we aim to get things right, make things easy and be fair, responsive and aware of their personal situations. Our Charter also recognises that customers may want someone else to represent them and provides reassurance that we will always aim to keep their data secure.

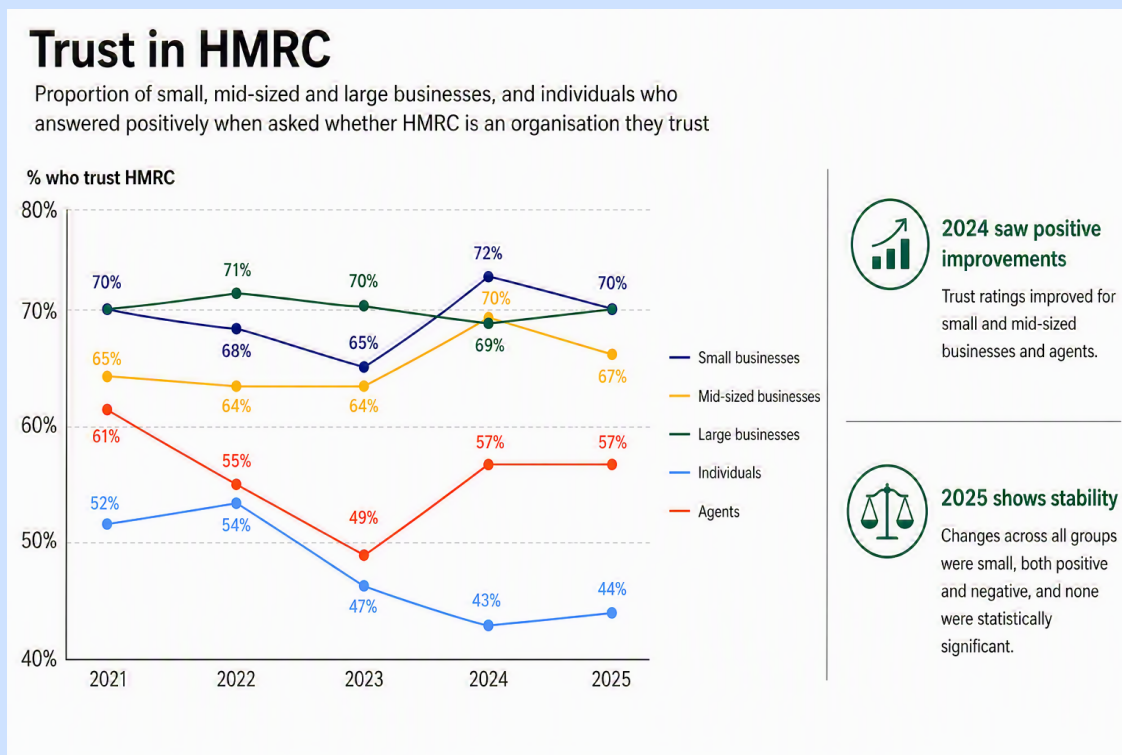
Meeting our Charter Standards is essential to building and earning trust, and we know we have more to do to embed these standards into everything we do. For more information on how we performed against the HMRC Charter in 2025 to 2026, read the full report from page 112.

Understanding and building trust

In the 2025 customer survey, 70% of small businesses and 44% of individuals said that HMRC is an organisation they trust (see figure 7). To build trust in HMRC, we know we must demonstrate fairness, competence and transparency in the way we deliver services for our customers.

We have taken actions to help strengthen public trust, including improving our day-to-day performance, redesigning the HMRC app around common customer tasks and improving guidance to help customers identify avoidance schemes. We remain focused on improving the customer experience and supporting compliance, while being transparent about how we perform.

Figure 7: Trust in HMRC ¹



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

Being transparent about our performance

We aim to build trust by openly sharing clear, accessible information about how we are performing and publishing our performance data each month and quarter. Alongside this Annual Report, we have also published a supplementary note setting out the progress made in delivering the commitments outlined in our 2025 to 2026 business plan.

We also share findings from our external research programme, our evaluations and a range of official and national statistics. In 2025 to 2026, we published 104 research reports covering issues such as customers' experience of dealing with HMRC and evaluations of policy changes. This external insight helps us understand how well we are delivering the HMRC Charter and where we need to improve the experience for customers. Some of the results of our customer surveys, relating to specific Charter Standards, are shown below.

- + 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 supplementary note on delivering our commitments at www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2025-to-2026
- + Read our research reports at www.gov.uk/government/organisations/hm-revenue-customs/about/research#hmrc-research-reports

Customer experience and the HMRC Charter

% agreeing with each statement

1. Core experience

 **Getting things right**
HMRC gets transactions right

| | 2025 | vs 2024 |
|------------------|------|---------|
| Individuals | 61 | +2 |
| Small businesses | 74 | +2 |
| Agents | 54 | +2 |

 **Making things easy**
How easy you found dealing with taxes

| | 2025 | vs 2024 |
|------------------|------|---------|
| Individuals | 47 | +3 |
| Small businesses | 76 | +3 |
| Agents | 62 | 0 |

 **Being responsive**
Time taken to reach end result is acceptable

| | 2025 | vs 2024 |
|------------------|------|---------|
| Individuals | 51 | +2 |
| Small businesses | 63 | +3 |
| Agents | 24 | +1 |

2. Fairness and trust

 **Treating customers fairly**
HMRC treats customers / your business fairly

| | 2025 | vs 2024 |
|------------------|------|---------|
| Individuals | 62 | +1 |
| Small businesses | 78 | +2 |
| Agents | 63 | +2 |


 **Recognising that someone can represent customers**
HMRC made it easy for someone to act on your behalf

| | 2025 | vs 2024 |
|------------------|------|---------|
| Individuals | 54 | +8 |
| Small businesses | 71 | -2 |

 **Keeping customers' data secure**
HMRC ensures data and personal information is treated confidentially

| | 2025 | vs 2024 |
|-------------|------|---------|
| Individuals | 60 | +1 |

3. Overall outcomes

 **Overall experience of dealing with HMRC**
Over the last 12 months

| | 2025 | vs 2024 |
|------------------|------|---------|
| Individuals | 55 | +3 |
| Small businesses | 70 | +2 |
| Agents | 35 | +2 |

 **Being aware of your personal situation**
HMRC communicates in a way that is easy for me to understand

| | 2025 | vs 2024 |
|-------------|------|---------|
| Individuals | 47 | +3 |

 Source: HMRC Customer Surveys 2024 and 2025

Improving support for customers who need extra help

We appreciate that dealing with tax, financial hardship, or debt can be stressful – and we want to make sure that we’re treating our customers fairly. We have improved our external and internal guidance and invested in education resources to help customers self-serve where they can. We will always provide extra support if customers need it.

HMRC advisers are trained to recognise when someone might benefit from additional help or tailored support and to offer that help directly or connect them with a specialist team. This could include using alternative communication formats like Braille, large print or translation services, involving a third party to act on their behalf, or simply giving people more time and guidance to support them when completing forms.

Our dedicated Extra Support teams are there to ensure that customers can get what they need from us, even when their circumstances are challenging. In 2025 to 2026, around 210,000 customers were given extra support by our dedicated teams.

Alongside this support, if a customer is unable to use HMRC’s digital services, has a disability, a language barrier, or a complex enquiry, help is also available through a network of voluntary and community sector (VCS) organisations.

Funded directly by HMRC, these organisations offer personalised support to help customers understand their tax obligations and make claims with confidence. During 2025 to 2026, about 44,000 customers were supported by HMRC-funded VCS organisations. To reinforce our commitment to extra support as we evolve into a more modern, digital-first organisation we have more than doubled our funding allocated for VCS organisations, starting from April 2027.

To help every customer feel safe, all new customer service staff are trained and provided with guidance on recognising and supporting those who need extra support and those affected by economic abuse. This means advisers and caseworkers are now better equipped to understand customers’ individual needs and provide the right support during calls and through correspondence. Colleagues can also refer people to specialist support from the Samaritans when needed.

During times of bereavement, our customers can now access support more easily through a dedicated guidance tool and a helpline that connects them directly to HMRC’s bereavement service. This service offers a streamlined, once-and-done approach that is delivered by highly trained professionals. In 2025 to 2026 our bespoke service, for those dealing with the affairs of someone who has passed away, handled over 720,000 interactions.

In 2026 to 2027 we plan to increase resource within our dedicated extra support teams, review our outbound communications to ensure our extra support services are clearly signposted, and trial new outreach activity to raise awareness of the range of support on offer.

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

Handling and learning from complaints

We are committed to delivering good customer experience in line with our Charter standards. If a customer feels we have not met these standards, they can raise a complaint through our complaints process.

In 2025 to 2026, we received around 87,000 new complaints with our average response time increasing from 27 days to 40 (see table 2 below):

Table 2: Complaint receipts and our response rate over the last 3 years

| Measure | 2023-24 | 2024-25 | 2025-26 |
|------------------------------|---------|---------|---------|
| New complaints received | 92,206 | 93,589 | 87,353 |
| Average response time (days) | 35.7 | 26.7 | 40.0 |

Throughout the second half of 2025 to 2026, customers continued to experience longer wait times. This was due to high numbers of new complaints coming in, alongside work to resolve existing complaints, and older cases taking a longer time to resolve. We are sorry that some customers waited too long to have their complaint resolved. When customers have already had a poor experience, it is important for us to rebuild trust.

We want to reduce wait times, particularly for the oldest outstanding complaints. To do this, we have secured extra resources, and we are trying new ways of working.

So that customers who complain have a better experience, in 2025 to 2026 we expanded our automated text message and email services to keep customers updated as we process their complaint. We also introduced dedicated Customer Resolution Teams, who are able to speak to customers who have enquired about the progress of their complaints, to help resolve their issue more quickly.

The complaints section of our GOV.UK pages has been updated too, helping customers reach the right team first time, alongside giving extra training and support to these teams. This will allow issues to be resolved earlier, before they become complaints.

Our complaints process has two tiers. If a customer is not satisfied with our second-tier response, they can escalate their complaint to the independent Adjudicator. The Adjudicator's Office resolves complaints, providing an accessible and flexible service and making fair, trusted and impartial decisions.

The Adjudicator's Office also uses its expert knowledge to support HMRC to learn from complaints, so that we can improve our services in line with our Charter commitments.

Customers can also ask their Member of Parliament to refer their complaint to the Parliamentary and Health Service Ombudsman (PHSO) if they are not satisfied with the Adjudicator's response. In 2025 to 2026, 2 complaints about HMRC were accepted by the PHSO for further detailed investigation, a decrease of 66% on last year. Of 5 detailed investigations closed, 3 were partially upheld and 2 were not upheld.

We acted on all recommendations that the PHSO made to HMRC during the year and use their findings to improve our services.

The Adjudicator Annual Report and our response will be published later in Summer 2026.

Reform and modernise the tax and customs administration

This chapter looks at how we are reforming and modernising tax and customs administration, in line with our Transformation Roadmap. This includes improving our IT infrastructure, making innovative use of technology and AI, and ensuring the organisation has robust data capabilities and a highly skilled workforce.

“We have a bold IT strategy, which includes getting the most from technology, accelerating innovation to improve the customer experience and becoming more efficient through the use of new platforms and technologies, such as generative AI. This helps to make more of our services quick and straightforward to use online, so customers can get things done easily and get their tax right first time.

Security and resilience are top priorities for HMRC and we have invested to make our systems more reliable for customers. We continuously review and improve how we protect the data we hold and we’ve done a lot of work to discover, understand, and manage any risks and the impacts these could have on customers and colleagues.”



Daljit Rehal
Chief Digital and Information Officer

Lead metric: technical health maturity score (out of 5)



3.3
out of 5



Definition:
the overall condition and resilience of our technology systems and infrastructure



Read more on page 42

Modernising HMRC’s IT infrastructure and workforce

HMRC runs a vast 24/7 operation, supported by one of the largest and most complex IT estates in the UK. Our Transformation Roadmap explains how our ability to reform and modernise at pace depends on improvements in our technology infrastructure and data capabilities. Modernising our systems and working in a more agile way is critical to providing customers with the modern services they expect, and to keeping their data secure.

Why we are modernising our IT estate and the progress made

We are moving to a technology landscape that is much simpler, with fewer separate systems and more software services that we buy rather than build, with AI capabilities built in. This will help keep customer information safe, strengthen our protection against cyber threats and make our services easier to update. It will also improve how it feels to deal with HMRC, as we simplify processes and make it easier for people to use our digital services.

In 2025 to 2026, we made several IT system improvements to benefit customers, including:

- **Reducing downtime through more resilient, modern systems:** we migrated services from legacy data centres to modern cloud platforms, improving their reliability and security. Our customer facing systems were available 99.948% of the time in 2025 to 2026
- **Moving goods across the border faster and more easily:** as set out in HMRC's Transformation Roadmap, we improved the Customs Declaration Service, so traders can access their own data more easily, make changes faster and complete routine tasks with fewer delays. We also enhanced the Goods Vehicle Movement Service, which manages the flow of lorries through ports, and upgraded the New Computerised Transit System, which supports goods moving across multiple countries, helping businesses move goods more smoothly and more easily meet international requirements (read more on page 54)
- **Retiring the legacy VAT system so we can provide a more reliable service for customers:** we marked the end of a 50-year-old mainframe system this year. Our new VAT system gives customers a more reliable service and allows for faster updates and fixes to be made
- **Improving the legacy Corporation Tax system to improve system reliability:** building on a Transformation Roadmap commitment, we strengthened the platform to keep it secure and ensure it continues to run reliably for businesses filing their tax returns. These changes will help prevent fraud and ensure that businesses can continue to meet their tax obligations without disruption, while laying the groundwork for a future cloud-based service that is faster, easier to use, and more responsive to changes in customer expectations
- **Improving our core platforms:** we continued to upgrade the Enterprise Tax Management Platform, which is one of our core IT systems for managing and accounting for tax. By moving to a modern, cloud-based service, the platform allows us to monitor and predict usage, which helps us to ensure a stable and reliable service and more easily meet the evolving needs of our customers

Figure 8: measuring progress in modernising our IT estate

As set out in our Transformation Roadmap, we are simplifying our technology landscape by reducing the number of technologies delivering our IT platforms, making them easier to scale up and more cost efficient to run. We are also increasing our use of IT services provided by suppliers, enabling us to focus less on delivering IT and more on securing value out of the services we use.

We use a measure called ‘technical health’ to assess progress in modernising our IT estate. This assesses the overall condition and resilience of our technology systems and infrastructure, based on regulatory frameworks.

In 2025 to 2026 we achieved a technical health maturity score of 3.3 out of 5, and we remain focused on moving towards our desired IT architecture and achieving our target of 4.0 in 2029 to 2030.

Technical health score and forecast

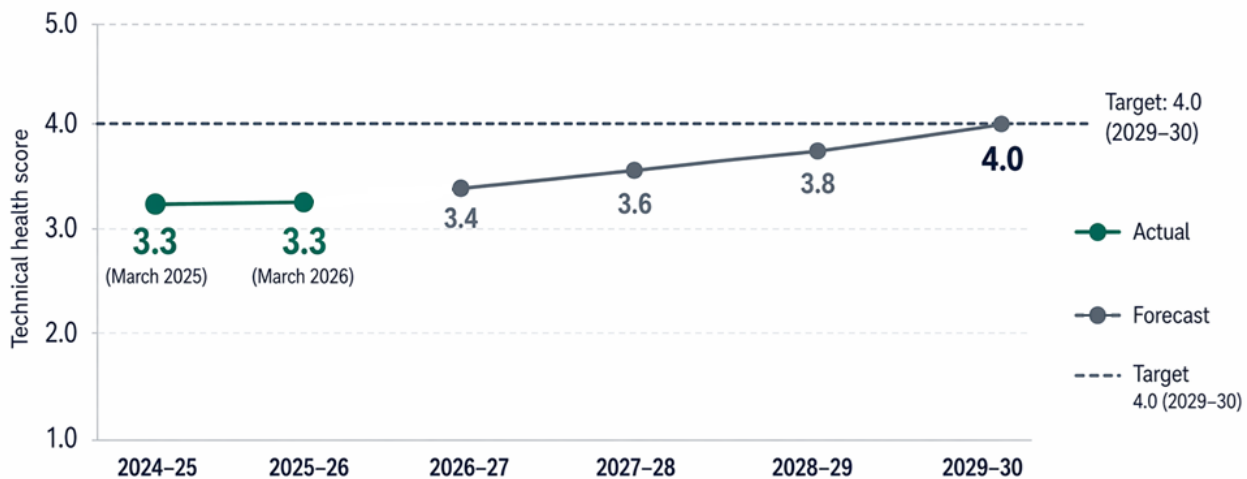
Scale: 1 (lowest) to 5 (highest)



Technical health is forecast to reach our aim of 4.0 by 2029–30

Increase required

+0.7 over 4 years



A simpler and more personalised customer experience

Our customers expect our systems to be joined up, so they don’t need to give us the same information multiple times through different channels. But because our systems and data have built up over several decades, we’ve not been able to bring all the records we hold on a customer together in one place, to give us a full view of each customer’s information. Addressing this is central to delivering the HMRC Charter, particularly the commitment to make things easy for customers, while keeping their information secure.

Our Unique Customer Record programme is tackling this by bringing together data across HMRC. By the end of 2025 to 2026, we had consolidated previously separate data sources into

97 million unique records in the new Central Customer Registry (CCR), enabling us to view customer data across 54 different taxes, benefits and duties.

This will save customers time and effort, reducing the need for them to contact us about basic issues like incorrect or missing names and addresses for example, which results in around 500,000 telephone calls to HMRC annually. The CCR is also connected to HMRC's customer call handling system, allowing our telephony advisers to view this data when handling customer calls. This means they can correct any data quality issues in real time or refer the query to a specialist team for further action.

Alongside improving our internal view of customers, we also supplement this with external data sources, including data purchased from credit reference agencies. This helps us more accurately categorise our customers, so we can better identify their risks and needs. This enabled us to tailor our approach when contacting around 1.6 million Self Assessment customers about their payments on accounts in 2025 to 2026. Receiving more relevant and timely communications helps our customers understand their tax obligations and reduces the need for them to contact us.

Using AI and advanced technologies safely and responsibly

Our Transformation Roadmap set out our ambitions for AI and other innovative technologies to modernise HMRC. Harnessing AI helps our people work smarter, faster and more effectively — so they can spend more time on complex and impactful work.

We're leading one of the biggest roll-outs of internal AI tools in government, issuing 28,000 Copilot licences to colleagues in 2025 to 2026, supported by our Digital Academy, where 38,000 colleagues completed AI-focused training in the same period.

We know that customers and the wider public want to feel confident about how HMRC uses AI and we're committed to adopting it responsibly, through careful implementation, robust safeguards and continuous learning. So, while AI supports some of our processes, it never

AI focus – supporting our customers

We are embracing the potential of AI to create a tax system that works better for everyone. In 2025 to 2026, our work in this area included:

- **supporting customers contacting us by phone:** we piloted real-time call summaries to help customers get quicker responses and spend less time waiting. This enables advisers to focus more on resolving customer queries during calls, improving the speed and quality of support
 - **improving access to information for customers:** we continued to support the Government Digital Service with developing their generative AI-powered 'GOV.UK Chat' product. As outlined in the Transformation Roadmap, this chatbot aims to help customers get quick, personalised answers to their questions, pulling content from across GOV.UK guidance as its source material
 - **exploring new AI tools to enhance services:** we launched a new testing environment to access cutting edge generative AI large language models, helping us to safely explore how AI can improve both internal operations and customer-facing services. This lays the groundwork for developing faster, more intuitive digital experiences for customers in the future and is part of HMRC's Transformation Roadmap approach to replacing its legacy systems
- + Read more examples of how we are using AI to support our work in reducing the tax gap on page 22 and how AI is helping to improve how we work on page 52.

replaces human judgement — final decisions are always made by experienced, trained caseworkers, with results remaining explainable and compliant with data protection, security and ethical standards.

We also use 'synthetic' data in testing environments, allowing new tools to be developed and assessed securely, without using actual customer information. And our approach is underpinned by a well-developed AI assurance, ethics and risk management framework, tested with external ethics experts on our Professional Standards Committee. The adoption of AI across the department is coordinated by HMRC's dedicated AI Board and delivery team, which provides rigorous oversight and draws on external expertise.

We are fully aligned with central government AI frameworks, HMRC's Charter Standards, the Data Protection Act 2018 and UK GDPR, and we maintain strict guardrails around any AI that customers interact with directly, such as chatbots.

Protecting customer data and strengthening resilience

Keeping customer data secure and strengthening the resilience of our systems are central to maintaining trust in the tax and customs system.

Being responsible with data

HMRC uses data transparently, proportionately, and in line with data protection laws, so that customers can trust their information is handled responsibly and with care. This is essential to maintaining public trust (read more on our Charter Standards, and whether customers thought HMRC treated their data securely on page 37). Completing departmental data protection learning is mandatory for our workforce and we continually monitor this, to ensure our staff have completed this training.

We liaise regularly with the Information Commissioner's Office on data protection matters and we process Subject Access Requests (SARs), where customers can request copies of their personal information held by HMRC. In 2025 to 2026, we responded to over 120,000 requests. We have significantly increased the resource for responding to SARs, as well as introducing new processes and technologies that allow customers direct access to their personal data.

Strengthening resilience

We continue to strengthen the resilience of the IT systems that support our critical services. This includes improving how we plan for and respond to incidents, carrying out regular testing and assurance on key platforms, and working across government to ensure we are prepared for both emerging and long-term risks. Our aim is to ensure that essential services remain available when customers need them and that our systems can withstand disruption.

In 2025 to 2026, we took significant steps to modernise and strengthen HMRC's long-term digital archive. The archive holds 1.7 billion records exactly as they were originally submitted, supporting our compliance work and our efforts to reduce the tax gap.

All new records are now stored within Crown Hosting, a secure, cross-government hosting service. We moved more than 1.48 billion historic records into Crown Hosting by the end of 2025 to 2026, with the remaining records moving over in 2026 to 2027. This eases our reliance on ageing infrastructure, improves the long-term resilience of the archive and materially reducing the risk of data loss. In 2025 to 2026, the service that provides access to legacy records was also fully restored after several years of operating at reduced capacity - improving the reliability of multiple critical services and lowering the overall risk of operational disruption.

To strengthen HMRC's resilience to identity related fraud, in 2025 to 2026, we established a Fraud Prevention Centre (FPC), which is a multifunctional capability focused on the protection, detection and response to identity related security issues, improving coordination across HMRC. In 2025 to 2026, the FPC introduced new services to make it easier for customers to report suspected fraud and security concerns, and strengthened underlying services, processes and controls to improve prevention, incident handling and customer outcomes.

Protecting customers

We know our customers are at risk from criminals pretending to be HMRC and launching phishing scams by email, text and phone, but we remain vigilant and have a dedicated team working around the clock on cyber and phone crime, to protect the public and the integrity of the tax system. Our cyber security operations identify and close down scams every day and we block around 1.95 billion suspicious or malicious events every month.

In 2025 to 2026, we responded to 134,309 referrals of suspicious contact from the public, with 25,398 of these offering bogus tax rebates. We delivered a range of improvements to our fraud controls, strengthened our digital security and acted quickly to secure affected customer accounts where needed, ensuring no customer suffered financial loss as a result.

While we already have robust defences in place to protect public funds from organised criminals who try to fraudulently exploit the system, significant additional funding secured in the 2025 Spending Review enables us to continue modernising our systems, further strengthen our digital security and keep preventing, detecting and responding to changing threats. To protect the public from being deceived into giving personal information to criminals masquerading as HMRC, we take corrective action and work with the Office of Communications to report suspicious telephone numbers to telecommunication providers for removal.

In 2025 to 2026, we:

- responded to and intervened in 31,476 vishing (voice phishing) scams, which attempt to trick victims into giving up sensitive information over the phone
- took down 24,864 phishing websites, a decrease compared to the year before as stronger controls disrupt those who carry out the phishing
- used an innovative machine learning solution to develop a new tool to identify unauthorised use of HMRC's name or branding on social media sites. In 2025 to 2026, we identified 1,279 HMRC-branded infringements on social media sites by unauthorised use of HMRC's name or branding, an increase from 56% in 2024 to 2025.

We have also made it easier for customers to report suspicious activity through their online account on GOV.UK, with 2,840 customers doing so via this route and subsequently receiving support from HMRC in 2025 to 2026.

+ 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 how customers interact with HMRC

It is vital for the tax and customs system to keep pace with evolving customer expectations. To achieve our digital-first ambitions, we need to continue modernising how customers interact with HMRC.

Modernising through Making Tax Digital (MTD)

Making Tax Digital (MTD) is a key element of how we are modernising the tax system, by helping businesses and individuals manage their tax more easily through secure, digital tools.

Under MTD, qualifying VAT and Income Tax Self Assessment customers use compatible software to keep digital records and send regular updates to HMRC, giving them a clearer, more up to date view of their tax position.

We have previously delivered MTD for VAT and our published research found that it helps customers keep more accurate digital records and reduce errors, as well as making it easier to manage their tax obligations.

In April 2026, we rolled out MTD for Income Tax to sole traders and landlords with income over £50,000, which we committed to in the Transformation Roadmap.

This followed extensive testing and engagement with customers and stakeholders, with 10,450 customers and 62 software providers signing up to take part in a public testing phase in 2025 to 2026. The launch was supported by a nationwide awareness-raising campaign and clear guidance published on GOV.UK to help customers understand the changes and prepare for the new requirements.

We expect MTD for Income Tax to support business productivity by helping businesses stay on top of their tax affairs and provide real-time insights for better decision-making. At launch, in April 2026, there were 76 software vendors offering a total of 94 products for MTD for Income Tax customers, ranging from simple free tools for straightforward affairs to more comprehensive solutions that integrate with existing business software.

Making Tax Digital in practice

"Having talked to my clients over the last 2 years about Making Tax Digital, I'm confident they're going to see a number of benefits - not just that their bookkeeping is up to date but just the very fact that within that 3-month period we can check those queries.

The benefits are that it's instant, if there's a problem it gets corrected the next month and it's live and ready.

For practices that have clients who are going to come in from 2027 to 2028 at the £30,000 level, I would suggest that they bring them in early if the client is willing, so you can get familiar with the process, and the client gets used to it and then they're ready to go.

The bookkeeping is going to be key to this and keeping up to date accurate records is going to be beneficial to you."

Kirsty St John – Kirsty's Counting Service

Transformation Roadmap progress – modernising the tax and customs administration

We've delivered changes throughout 2025 to 2026, as promised in our July 2025 Transformation Roadmap, to modernise the tax and customs administration.

Digitalisation of Inheritance Tax

We are designing the digital Inheritance Tax service around clear and evidenced user needs. Throughout 2025 to 2026, we worked closely with executors, agents, trustees and HMRC caseworkers to understand their requirements and the challenges they face. This included building and testing early prototypes with users to ensure the service is shaped by real feedback. This user-centred approach is guiding our technical design and will underpin the modern, fully digital service scheduled to launch from 2027 to 2028.

Modernising customer services

In 2025 to 2026, we prioritised modernising the services our customers use the most, such as pre-populating forms and introducing improvements that save time and effort. This included expanding our online process to make it faster and easier to register for Self Assessment, with forms that pre-populate customer data. More than 41,000 customers have successfully used the new service in 2025 to 2026.

In May 2025, we began procuring a new, more modern, cloud-based contact centre platform to replace our legacy systems. This new platform will make it easier for customers to get help quickly and provide a holistic view of customer contact across phone, email, VAT and social media channels. It will also make it easier to introduce new technologies that improve the customer experience.

In July 2025 we started the procurement process for a new Enterprise Customer Relationship Management platform, which will bring together a single, trusted customer record to support a more complete view of a customer's interactions across HMRC. This will support our compliance work and enable us to provide a more joined-up and consistent experience for customers.

Electronic invoicing

At Budget 2025, the government announced that all VAT invoices for business-to-business and business-to-government transactions will need to be issued electronically from 2029. This accompanied the publication of our response to the consultation on promoting e-invoicing across UK businesses and the public sector. We are working closely with stakeholders to shape the new requirements, with an implementation roadmap set to be published at Budget 2026 to give businesses clarity and time to prepare.

Simplifying and modernising the legislative and administrative framework

We recognise that tax administration places real burdens on businesses. That's why we're focused on simplifying tax and customs administration - in line with our Charter standard of 'Making things easy' - to reduce the time customers spend managing their tax and customs affairs and enabling them to focus on adding value to the economy. A simpler modern tax system also helps to reduce non-compliance, improve fairness and address the risks associated with tax policy and processes complexity.

Reducing the burden on our customers

In April 2025, the government published an update on simplification, administration and reform, setting out a range of measures, including 26 simplification measures to make processes easier for customers. These included simplifying the operation of certain schemes, such as the Capital Goods Scheme and Spirit Drinks Verification Scheme.

The government also announced that the Income Tax Self Assessment reporting thresholds for trading, property and other taxable income would be aligned and changed to £3,000 each, by the end of the current Parliament - meaning an estimated 300,000 customers will no longer be required to file a tax return. Those with taxable income below these new thresholds will be able to report their income through a new digital reporting service.

In June 2026, further measures to streamline processes and improve the taxpayer experience were announced. This included simplifying reporting requirements, such as reducing the need to submit Inheritance Tax returns for certain non-taxpaying trusts and preventing companies from being brought into the Quarterly Instalment Plans regime solely from receiving Audio-Visual, Video Game and Research & Development Expenditure credits. The package also digitised paper processes including the Option to Tax process through developing a new online submission channel.

We will continue to engage extensively with business representatives including working closely with the Administrative Burdens Advisory Board, so that we listen to taxpayer priorities for simplifying tax administration. We're committed to continuing to engage widely with stakeholders on further interventions to reduce the burden on our customers.

Read about the government's Regulatory Action Plan on page 56.

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

This chapter reports on how we are investing in our people to foster an innovative and inclusive culture; and to ensure we have the digital skills and leadership capabilities we need to support our transformation into a digital-first organisation.

“We remain committed to building a skilled and empowered workforce, who feel proud of the role we play in powering public services, and supported to deliver an excellent experience for our customers.

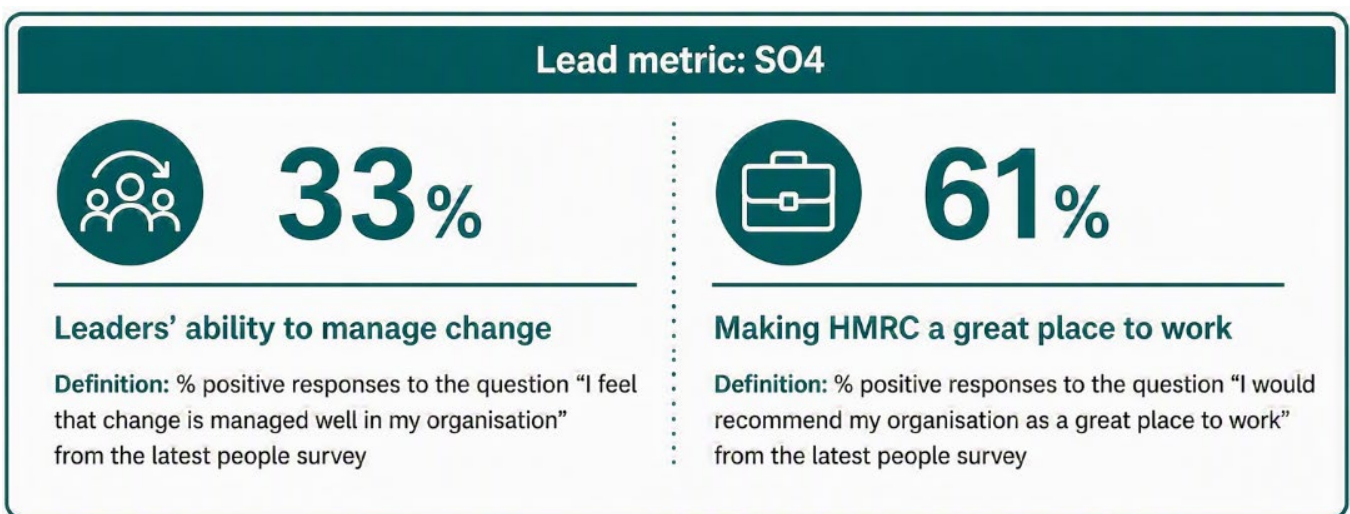
We are prioritising where we deploy our resources, to increase the number of colleagues working in frontline compliance and debt management roles. And we continue to build a workforce with the right skills and capability, through a combination of recruiting, retaining and reskilling colleagues.

This year, our focus has remained on developing colleagues’ skills and capabilities, and strengthening how we manage change at all levels. I’m pleased to see the progress we’ve made on improving how it feels to work here, as reflected in our People Survey results for 2025, which included a 3 percentage point rise in our Employee Engagement Index to 60%, the highest level we’ve seen.”



Helen Pickles

Chief People Officer and Director General for People and Place



How we’re building a high-performing organisation

To close the tax gap, improve day-to-day performance and the customer experience and reform and modernise the tax and customs administration, requires us to have the right technical and professional capability and capacity.

Our People Strategy sets out the areas we are focused on:

- learning, skills and capability

- change agility and leadership
- employee experience
- building a high-performing digital organisation
- resourcing and recruitment

Learning, skills and capability

We are building on strong foundations, as we already have very capable and professional colleagues. And we plan to continue developing the right skills and nurturing a culture of continuous learning.

In 2025 to 2026, we continued developing our learning academies. In line with our Transformation Roadmap commitments on closing the tax gap, we launched our Tax, Customs and Compliance Academy. This will help ensure we have the tax knowledge and expertise to operate a highly skilled Tax Profession that maintains consistently high professional standards.

This academy allows us to train new colleagues who are joining our compliance function, including those recruited through existing backfill activity as well as additional colleagues following the government's investment, whilst also supporting experienced colleagues through

Building capability through apprenticeships

Through our Apprenticeship Strategy, we are embedding apprenticeships into our workforce planning, which is helping us to build the capabilities we need and close any critical capability gaps. We are embedding apprenticeships into our workforce planning through our Apprenticeship Strategy, helping us build the capabilities we need and close any critical capability gaps. We are proud to be ranked among the UK's top 50 public and private apprenticeship employers, with around 88% of our apprentices successfully completing their apprenticeship in 2025 to 2026 and learner satisfaction rates of 59% – an increase of 5 percentage points on the previous year.

In 2025 to 2026, we:

- strengthened our digital capability, by launching our Data Foundation Apprenticeship to help grow data handling skills
- expanded the number of digital apprenticeships we offer, to meet the growing demand for data, cyber and AI skills
- widened access to specialist careers in project delivery within the department, through the launch of a new external Project Delivery apprenticeship. This will be expanded and run annually to build the skills and capability needed to support reliable, high-quality services for customers in the long term
- launched a new Customer Service Apprenticeship entry route, to continue building our customer service capability in line with our Charter Standards
- continued to deliver our award-winning Counter Fraud Investigator Apprenticeship, which has trained 448 apprentices since 2021 and gained recognition through the 2025 Princess Royal Training Award

continuing professional development. In 2025 to 2026, 2,700 joined our formal learning programmes.

Our Digital Academy continues to strengthen HMRC's digital, data and AI capability. Since launch in 2023, the Academy has seen more than 1 million visits to the learning platform. In 2025 to 2026, 80% of HMRC colleagues have completed at least one digital, data technology course, completing more than 10 courses on average. Since May 2025, 52% of HMRC colleagues have attended at least one live Digital Academy webinar covering a wide range of digital, data and technology topics from prompt engineering to digital culture.

Change agility and leadership

Transforming our organisation requires us to have strong leadership and the ability to manage change effectively.

Our Leadership and Management Capability Academy, launched in May 2025, provides a comprehensive suite of learning resources, programmes and tools designed to build these skills across HMRC, with 5,000 colleagues accessing the academy in 2025 to 2026.

Our bespoke 'Leadership Within the Enterprise' programme supports senior leaders across the Civil Service to develop the capability needed to lead teams through change and work more effectively across government. Since its launch, around 215 senior civil servants in HMRC have taken part, with colleagues from the Department for Work and Pensions also joining the programme, further deepening cross-government collaboration.

In 2025 to 2026 we built on this, by deploying 177 into a new Collective Leadership of Change programme. Designed to support leaders lead through transformation, this programme focuses on developing the right mindset for change, enabling innovation and storytelling. In December 2025, to help embed learning and provide ongoing support, we also launched learning through Skillsoft, which gives leaders the opportunity to practise leading through change in a virtual environment and receive live feedback to help them improve.

Employee experience

We are committed to building an inclusive, respectful, and representative workforce that reflects the communities we serve. This will help us to attract and retain talent and deliver better outcomes for the public. Offering an attractive and competitive employment package is key to supporting this and in 2025 to 2026, we provided an average pay award increase of 3.75%, reflecting Civil Service Pay Remit Guidance.

We continue to support the Places for Growth programme, which aims to strengthen the government's presence across the country by basing half of all UK senior civil service roles outside London by 2030, with 59% of HMRC SCS roles based outside London at the end of March 2026. We are building regional communities that support collaboration and innovation, as well as enabling great career development opportunities. We have opened 12 of our 14 new regional centres, with our newest regional centre, Pilgrim's Quarter in Newcastle, due to open in 2027.

We are also transforming the systems and processes used by our colleagues, by bringing together shared services across HMRC, the Department for Transport, and the Ministry of Housing, Communities and Local Government. By using a single set of shared systems across departments, we will reduce duplication, simplify ways of working and reduce time spent navigating different processes – and in 2025 to 2026, we worked closely with colleagues from all three departments to continue designing the new processes.

+ Please see page 148 for more information on colleague wellbeing initiatives.

Building a high-performing digital organisation

As more of our interactions with customers become digital-first, we need our colleagues to have excellent digital skills, access to the latest technology and a reliable and secure IT estate. We are delivering this in a variety of ways - from embedding the safe use of AI across our organisation (see page 43), to launching projects that will make our systems more efficient (see page 40) and improving the technical health of our IT estate (see page 42).

AI focus - using AI to improve how we work

In 2025 to 2026, we continued to embed the use of AI across our operations, as part of a longer-term programme to expand its use and impact. Supported by tailored learning and guidance, we focused on using AI to deliver better outcomes for our customers while continuing to build our own capability to extend its application in future.

- **Automating routine tasks:** as set out in our Transformation Roadmap, we are empowering our workforce by increasing their access to AI tools. We have provided more than 28,000 additional Microsoft 365 Copilot licenses to support search, summarisation and content creation. With one of the largest rollouts of AI tools across government, this will enable colleagues to focus on resolving more complex customer queries and helping those who need extra support
- **Handling complaints more efficiently:** the Valuation Office uses an AI-enabled complaints handler, which processed nearly 2,000 complaints at minimal cost and demonstrated strong performance in live trials, helping colleagues to address them quickly
- **Improving training materials:** we have harnessed AI to keep training materials accurate and relevant, making them more engaging and interactive. This helps our colleagues learn faster and apply new skills with confidence, so customers receive clearer guidance and better support from us
- **Building colleagues' confidence in AI:** our 'One Big Thing: AI for All' campaign that launched in October 2025 added real momentum to our AI learning with 1 in 3 HMRC colleagues completing core AI learning, and over 32,000 colleagues completing Copilot learning to support our phased rollout. We also launched our new AI simulation learning tool in Autumn 2025, allowing 2,600 colleagues to use AI to help build their communication and influencing skills in a range of areas including digital service design, project delivery and digital channel shift.

+ Read more examples of how we are using AI to support our work in closing the tax gap on page 22 and how we are using AI to support customers on page 43.

Resourcing and recruitment

We are recruiting and training large numbers of new compliance colleagues, following recent government investment (read more on page 14). In 2025 to 2026, we recruited 1,824 tax specialists in both permanent and secondment roles, doubled the intake of candidates on the Tax Specialist Programme from 250 to 500, and recruiting a further 84 to expand HMRC's Fraud Prevention Centre.

We are mitigating recruitment risk in locations where it has traditionally been harder to recruit, with targeted outreach activities, and in 2025 to 2026, this included more than 40 events focused on reaching underrepresented groups and widening access to HMRC compliance

careers. Extending our reach beyond traditional recruitment channels allowed us to engage earlier with more diverse talent pools and support individuals who may face barriers to accessing our roles.



Support wider government economic aims through HMRC's work

This chapter covers the progress we made in 2025 to 2026 on supporting the government's wider economic aims, through our work on modernising trade at the UK border and our role as a critical partner in economic security and cross-government data sharing.

“We continue to strengthen and modernise the UK's customs regime – supporting economic growth and innovation.

This year, we implemented key elements of the Windsor Framework, streamlined processes for moving goods from Great Britain to Northern Ireland, supported businesses to prepare for a new Import Control System and enabled a major Budget measure - removing de minimis duty relief for the import of low value goods.

HMRC's Transformation Roadmap sets out our plans to enhance the Customs Declaration Service, Online Trade Tariff Tool and the Goods Vehicle Movement Service, while integrating more automation and using AI to improve our systems and services for trade.

Together, these reforms are modernising critical border infrastructure, reducing administrative burdens and strengthening the UK's ability to manage risks at the border – ensuring a more stable, digital and future facing customs regime.”

Carol Bristow

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



Supporting growth through a modernised UK border

Our vision is to be a trusted, modern tax and customs department and we are focused on easing the burdens on traders, so they can thrive and contribute to economic growth. In 2025 to 2026, over £1 trillion of goods imports and exports crossed the UK border, and we helped keep trade flowing smoothly, with 98.9% of customs declarations selected for documentary checks cleared within 2 hours. We do this while ensuring the customs regime remains robust and effective in facilitating the smooth flow of legitimate trade, improving the stability and resilience of our systems and simplifying our processes.

How we're modernising to better support traders

The UK customs regime has already undergone major transformation, with the introduction of the Customs Declaration Service (CDS) helping businesses and people to trade through increasingly modern and resilient systems and processes. Our Transformation Roadmap sets out our ambition to build on this, by developing a more automated and integrated customs regime that includes enhancements to CDS and the Goods Vehicle Movement Service (GVMS).

In 2025 to 2026 we made it easier for customers to submit information to the GVMS, such as uploading multiple safety and security references, adding new movement types to support Windsor Framework delivery and allowing export declarations to be reused if goods need to leave the UK through a different GVMS location than originally planned.

We have also improved the customer experience of using CDS, by introducing new tools like the 'Get Customs Declaration Data for Imports and Exports Service', which allows traders and declarants to generate their own reports directly, saving them time and avoiding charges for HMRC produced reports. We will continue to explore further improvements for customers in 2026 to 2027.

In September 2025 we successfully updated the New Computerised Transit System, which enables the UK to continue to meet its international legal obligations under the Common Transit Convention (CTC) and maintains the transit customs facilitation. This allows businesses to move goods through various customs territories with minimal customs interventions, instead of requiring those movements to operate full import and export procedures.

Supporting the smooth flow of trade

HMRC supported over £17 billion of goods movements from Great Britain to Northern Ireland in 2024 (latest published data), helping to ensure the smooth flow of trade within the UK internal market.

The new customs arrangements for goods moving from Great Britain to Northern Ireland via parcels and freight under the Windsor Framework, were fully implemented from 1 May 2025. This delivered on the government's commitment to ensure that goods move smoothly and efficiently within the UK's internal market. As part of this, HMRC introduced new arrangements to ensure that parcels to or from a consumer in Northern Ireland do not require a customs declaration or duty.

We also made it easier for businesses moving eligible goods between Great Britain and Northern Ireland, by expanding the UK Internal Market Scheme and simplifying the information they need to provide - avoiding the need to make a full customs declaration.

To help traders prepare for these changes, HMRC delivered an extensive readiness programme, providing clear guidance, targeted communications, webinars and tailored assistance through the Trader Support Service (TSS).

The TSS continues to help businesses navigate the Windsor Framework requirements, supporting around 90% of goods movements between Great Britain and Northern Ireland. In 2025 to 2026 we secured a new supplier for the TSS to ensure a seamless service beyond 31 December 2025, when the previous contract ended. By the end of 2025 to 2026, more than 67,000 businesses had registered for TSS.

In Northern Ireland, these improvements were supported by wider system changes to support the movement of goods. At the end of 2025, we introduced the Import Control System 2 for goods arriving into Northern Ireland from Great Britain by road. This new system gives HMRC earlier information about goods entering the UK, helping us identify risks sooner and keep legitimate trade moving smoothly, allowing us to fully deliver our Safety and Security Windsor Framework obligations. As part of this upgrade, the previous system used for Northern Ireland movements was switched off in January 2025.

Low value imports

In April 2025, the government announced a review of how low value imports are treated at the border, recognising that the current relief no longer fully reflects how people shop or how

businesses operate. As announced at Autumn Budget 2025, the government will remove the relief by March 2029 at the latest, to make the system fairer and strengthen controls, ensuring retailers pay the right customs duty on goods sold to UK consumers.

To help design the new arrangements, the government has consulted on what information should be collected, how tariffs should apply, whether to charge a small administration fee and how VAT collection should work. It sought views from consumers and businesses of all sizes to help design a system that is practical, proportionate and easy to understand.

HMRC is working closely with stakeholders to co-design the future model. The aim is to create a simpler and clearer process that ensures duties are charged and gives customers greater confidence in how low value imports are treated at the border.

Improving the business experience by reducing wider regulatory burdens

Whilst we are focused on easing the burden on traders, the government has also committed to improving the business experience of the tax and customs system in its Regulatory Action Plan. This sits alongside the wider commitment to reduce regulatory burdens by 25% by the end of the Parliament.

We are measuring business experience using our customer surveys – the latest results show that the proportion of small businesses and of mid-size businesses who report the ease of dealing with their tax affairs and obligations as ‘easy’ is 76% and 75% respectively. Also, 70% of large businesses report that HMRC is easy to deal with.

+ Read the government’s Regulation Action Plan – Progress Update and Next Steps at assets.publishing.service.gov.uk/media/68f8a143190c6607448bb71f/Regulation_Action_Plan_-_Progress_Update_and_Next_Steps_.pdf

Data sharing

Customers benefit when government decisions are informed by accurate, timely data, which helps to shape policies and services that address their needs. As one of the UK government’s largest data controllers, we share information securely across the public sector through our legal gateways. The commitment to keeping our data secure is enshrined in our Charter Standards because we recognise how fundamental this is to building trust.

To deliver better outcomes for individuals and businesses, we’ve helped introduce new legal gateways to make it easier to share data responsibly. For example, we’re working closely with the new Football Regulator to share data to promote sustainability in English football and improve tax compliance in the sector.

We share data and analysis with other government departments, prioritising those that drive strategic economic outcomes, and in 2025 to 2026, this included:

- **Faster access to support:** we shared data with the Department for Work and Pensions to help automate benefit claims for the Bereavement Payment Support Service, streamlining the service for families during difficult times
- **Combatting fraud:** we supported a series of pilot exercises to tackle fraud and improve debt recovery in the public sector, including a pilot that helped local authorities recover council tax debt more effectively
- **Enabling innovative policy development:** we provided tailored analysis to the Department for Science, Innovation & Technology, to enable reporting on the performance of businesses in high-growth technology sectors

- **Cross government partnerships:** we developed our partnership with Companies House, with whom we are building a shared understanding of risk in corporate entities, with a framework for sharing data, intelligence and risking capabilities

We also receive data from outside HMRC to support our work. To help us better target Child Benefit compliance enquiries, we had 6 active data sharing agreements with other government departments in 2025 to 2026. In addition to delivering around £37 million in savings, using data in this way allows HMRC to focus its enquiries on less than 0.5% of Child Benefit customers, rather than the more burdensome approach of asking all customers to reconfirm their eligibility periodically.

While effective data sharing delivers important benefits for customers and the wider public sector, we know it also carries risks when complex datasets are brought together and our recent experiences have reinforced the importance of using data carefully. We recognise that our expansion of Child Benefit compliance controls, relating to unreported changes to residency status, resulted in a number of child benefit payments being suspended incorrectly. We apologised for this, took swift action to resolve the position for affected customers, and strengthened the process and safeguards going forward for this work. We no longer suspend payments at the outset of an enquiry and instead give customers at least one month to respond before any payments are paused. We remain committed to resolving issues quickly when they arise and are embedding this learning into future data sharing and compliance activities.

In 2025 to 2026, we opened enquiries on around 32,000 cases, successfully closing around 16,000 of these as being non-compliant in failing to notify HMRC that their Child Benefit payments should have stopped due to a change in circumstance. This protected around £46 million in taxpayers' money.

Working internationally

International partnerships help HMRC support wider government economic aims and deliver better outcomes for UK taxpayers. By working globally, we can share expertise, learn from others and more effectively tackle fraud.

Each year, we contribute to the International Survey on Revenue Administration, which gathers comparable data from tax administrations worldwide. These contributions also feed directly into the Tax Administration Series, a report that draws on data from 58 jurisdictions to track long-term trends in how tax authorities operate. This gives us valuable insight from our international counterparts, helping us learn from other tax administrations.

As well as learning from others, we also share our own knowledge, such as through our work with the Foreign, Commonwealth and Development Office. Together we help low and middle-income countries develop stronger tax and customs administrations.

International cooperation is also vital in tackling non-compliance. HMRC works with overseas tax authorities to combat fraud and offshore tax evasion, protecting the UK's economic security and upholding tax transparency standards worldwide. Read more about this work on page 20.

+ Read the OECD's Tax Administration 2025 report here: www.doi.org/10.1787/cc015ce8-en

Supporting devolved governments and other departments

To ensure effective tax administration for customers right across the UK, we support the Westminster and devolved governments and administer Income Tax on behalf of the UK, Scottish and Welsh governments. We 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, as well as considering the impact on devolved nations and their policies when developing our own policies.

We work with other UK government departments and devolved governments to understand the tax, National Insurance and child support scheme 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.

The wider social and economic impacts of what we do

HMRC's role goes beyond collecting tax. We help individuals and families by giving them access to vital financial support and we support businesses by administering tax reliefs. And we contribute to a range of wider government priorities including by enforcing the National Minimum Wage on behalf of the Department for Business and Trade and helping tackle economic crime through our work on anti-money laundering supervision.

Delivering financial support

We supported around 11.7 million children in 2025 to 2026, by providing Child Benefit to 6.9 million eligible families. This included awarding around 715,000 new claims, 91% of which were submitted through our app or online service. We also administer Tax Free Childcare (TFC) and Free Childcare for Working Parents (FCWP).

Eligibility for FCWP was further expanded in 2025 to 2026 to provide eligible parents of children aged from 9 months with 30 hours of funded childcare support. Approximately 868,000 families used TFC for 1.15 million children in 2025 to 2026. In April 2025, we completed the closure of tax credits, which supported over 6.3 million low-income individuals and families at its peak, with customers migrated to Universal Credit or Pension Credit.

Our approach to tackling error and fraud in welfare products remains focused on prevention. This includes having strong pre-award controls in place, improving education and making our processes simpler for customers to reconfirm their eligibility. The estimated levels of error and fraud for Child Benefit and Tax Free Childcare are set out from page 244.

Supporting innovation

HMRC plays a key role in creating the right conditions for businesses to thrive and grow, which is at the heart of the government's Plan for Change. One way we do this is by administering Corporation Tax Research and Development (R&D) tax relief schemes – which help innovative businesses to invest in innovative science and technology projects. Expenditure on R&D reliefs during 2025 to 2026 was £8.0 billion.

It is important that the support these schemes provide is timely and well targeted - and that we actively balance our work to reduce error and fraud with the need to pay legitimate claims promptly. In 2025 to 2026, we processed 89% of payable credit claims within 40 days, exceeding our published customer service aim of processing 85% of claims within 40 days.

HMRC's approach to managing the R&D tax reliefs is in line with our overall compliance strategy, which focuses on 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 delivering education campaigns to increase awareness of the eligibility conditions.

Our error and fraud estimates are set out and explained from page 251.

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 2026 - our compliance effort on the HMRC administered COVID-19 schemes had prevented the payment, or recovered overpayment, of £1.7 billion worth of grants, which includes £8.23 million recovered during 2025 to 2026. By the end of March 2026, we had opened 53 criminal investigations into suspected fraud within the schemes and made a total of 100 arrests. There have been 5 convictions so far and further ongoing criminal investigation activity has yet to be concluded. Across the COVID-19 support schemes, over 94% of payments made by HMRC were paid correctly.

Protecting customers from harm

In 2025 to 2026, we strengthened support for customers who need extra help, including expanding our dedicated Extra Support teams, improving specialist training and guidance for advisers, and working with voluntary and community sector partners to provide tailored help for customers who need it (read more on page 38).

Alongside our tailored support, our enforcement activity helps support wider government economic aims, by levelling the playing field for businesses and protecting individuals. As a statutory supervisor, we play a vital role in protecting society from the impacts of illicit finance by ensuring that businesses comply with the Money Laundering Regulations in the sectors we supervise.

We help businesses to protect themselves and their services from being exploited for the purposes of money laundering, terrorist financing and proliferation financing, working closely with them to uphold standards and maintain public trust. In 2025 to 2026, we carried out 2,158 supervisory interventions, used our powers to suspend or cancel the registration of seriously non-compliant businesses 39 times, refused 545 applications to register and issued 627 financial penalties for non-compliance totalling £3.2 million.

We also help protect workers by enforcing the National Minimum Wage (NMW) on behalf of the Department for Business and Trade. Every business, regardless of size or sector, is required to pay at least the minimum wage. In 2025 to 2026, we proactively engaged 12.3 million employers, workers, and their representatives - raising awareness of rights and responsibilities and making it easier for people to seek help if they're concerned.

To ensure workers received the pay they were entitled to, in 2025 to 2026, we completed 2,749 interventions and spoke directly with 4,482 employers about their business practices and potential risks to NMW compliance. Through our proactive and supportive approach, we identified £11.6 million in wage arrears for more than 62,000 workers.

If you believe you're not receiving the correct wage, you can contact the Advisory, Conciliation and Arbitration Service or submit a query online at www.gov.uk/government/publications/pay-and-work-rights-complaints. We consider every complaint made.

Looking to the future

So, while this year saw us make some really solid progress, our focus in 2026 to 2027 will be all about delivery. We have lots more to do, from continuing to strengthen our capacity to close the tax gap, to improving things for our customers and taking the next steps forward on our transformation journey. Our Strategic Plan for 2026 to 2027 sets out how we intend to navigate that journey, and includes some new wording in some of our strategic objectives to reflect our evolving priorities.

As a critical part of the UK's national infrastructure, the scale and impact of our work is huge and I'm looking forward to seeing us make further progress next year across everything we do. We will keep recruiting the new compliance officers we need to help us deliver on our commitment to close the tax gap, while strengthening our resilience and doubling-down on tackling those who threaten the security and integrity of the tax and customs system.

We will continue to place a strong focus on reforming and modernising the tax and customs administration, including modernising our core infrastructure and continuing to improve how customers interact with HMRC through more seamless and efficient digital services.

We will do all we can, in line with our Charter Standards, to support the majority of taxpayers who are trying to get things right – whether that's through sustaining improvements to the day-to-day customer experience, or by continuing to exploit technology to make it easier to meet tax obligations, through Making Tax Digital and our 'always on' digital services, like the HMRC app.

I'm also looking forward to further embedding the Valuation Office into HMRC, helping it to become faster, more transparent and more digital, as it fulfils its important mission of making sure that every property valuation is accurate, every service is accessible and every customer is treated fairly. Performance reporting for the Valuation Office will be incorporated into HMRC's future Annual Report and Accounts from 2026 to 2027.

We have lots to do and I have every confidence in our ability to do it.



John-Paul Marks

Chief Executive and First Permanent Secretary

1 July 2026

Financial review

This financial review explains our funding, how we've used this to deliver against our strategic objectives and how we ensure we use public money responsibly.

“While HMRC’s core purpose remains 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, how we do this is changing. We are on a vitally important transformation journey, which is about creating a tax and customs system that is quicker and easier to interact with, and which meets the needs of a rapidly evolving world.

In 2025 to 2026 our expenditure of £7,427 million enabled us to continue delivering a whole host of exciting changes. We are designing and building the next generation of services that will improve the customer experience and strengthen the resilience and security of our systems.

I am incredibly proud of the expertise we have within HMRC and of all the hard work, energy and innovation that I see being applied across the organisation – whether that’s focused on closing the tax gap, improving day-to-day performance and the customer experience, or on the reform and modernisation of tax and customs administration.

We will continue to use the public funds entrusted to us responsibly and efficiently, as we make further progress towards our vision of being a trusted, modern tax and customs department.”

Justin Holliday
Chief Finance Officer



Budgetary framework

Being transparent about how we've spent public money is essential to maintaining and building public trust. HM Treasury sets the budgetary framework for government spending and 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.

Our total spend, which is known as Total Managed Expenditure (TME), in 2025 to 2026 was £33,300 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 the National Insurance Fund and other reliefs and allowances).

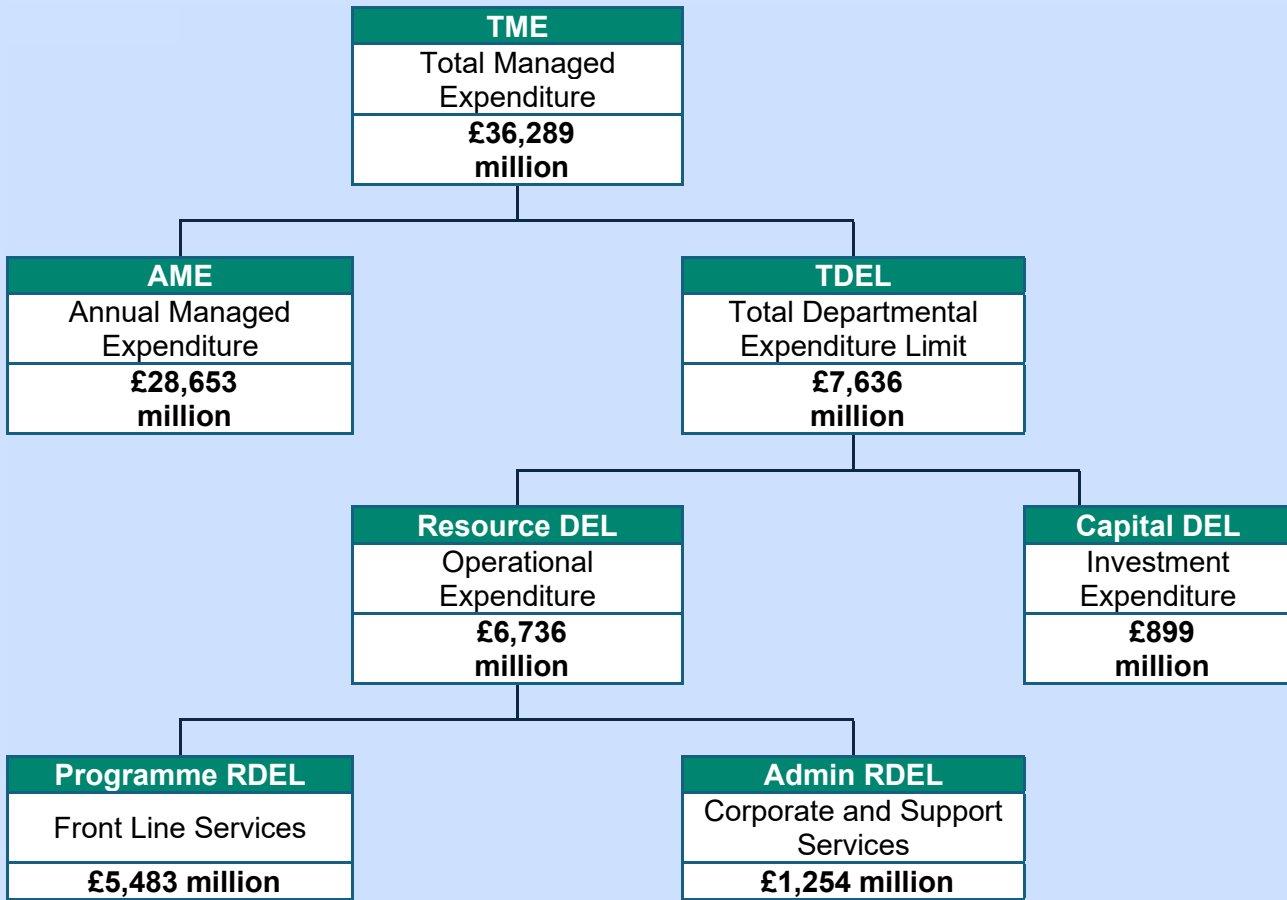
Figure 9 shows how TME is split into Total Departmental Expenditure Limit (TDEL) and Annually Managed Expenditure (AME) budgets, where TDEL sets our budget for controllable expenditure and AME covers our more flexible budgets for volatile or demand-led expenditure.

Within our TDEL budgets we have ringfences against some programmes where we receive budget which we can only spend on a specific policy measure. This is referred to as the HM Treasury policy ringfence. Resource Departmental Expenditure Limit (RDEL) includes day-to-

day resource and administration costs, and Capital Departmental Expenditure Limit (CDEL) is our investment expenditure.

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

Figure 9: Our budgetary framework¹



¹ Numbers may appear not to sum due to rounding

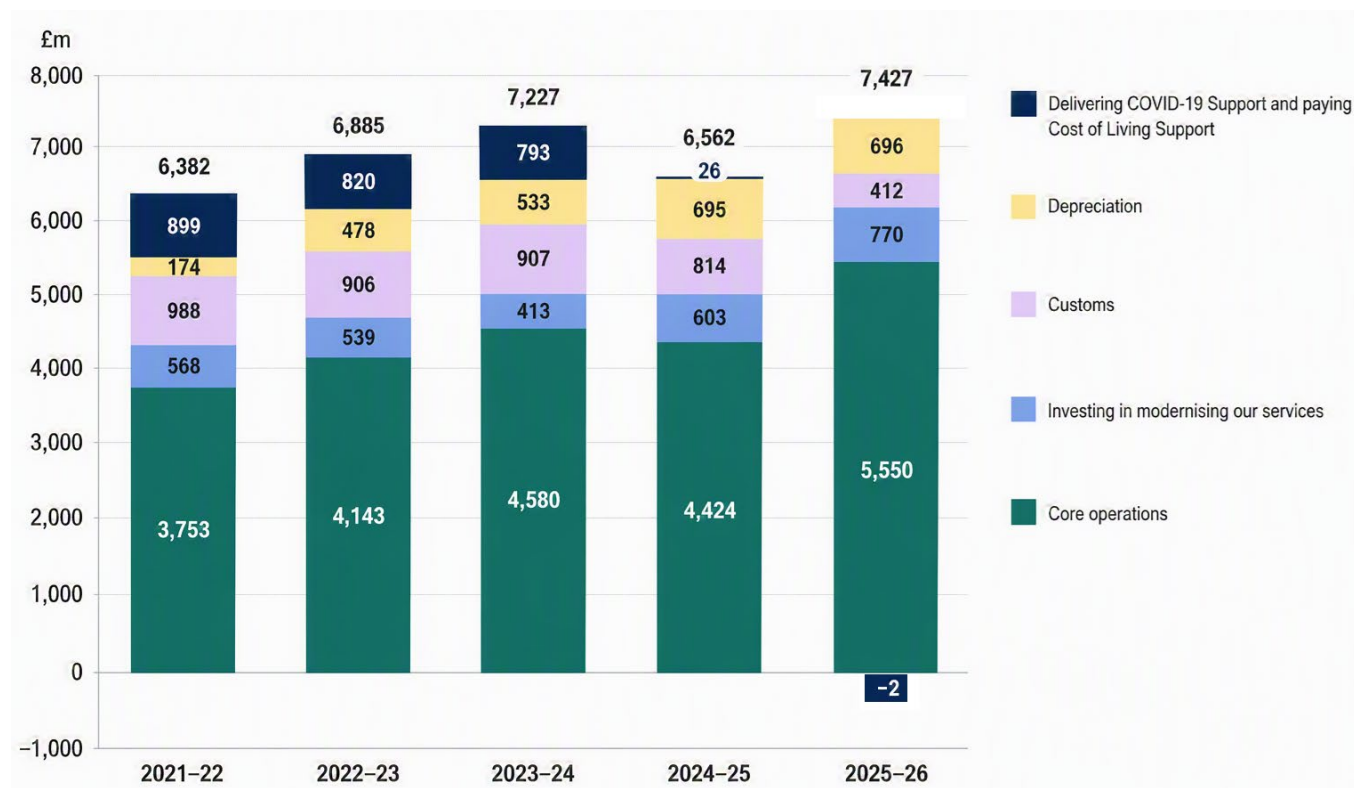
Using our funding to deliver our priorities

Table 3 and figure 10 show our spending pattern over the last 5 years split by spend type.

Table 3: 5-year trend on our spending¹

| £ million | | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--------------------|------------------|--------------|--------------|--------------|--------------|--------------|
| Expenditure | Resource DEL | 5,717 | 6,329 | 6,502 | 5,834 | 6,552 |
| | Capital DEL | 665 | 556 | 725 | 728 | 876 |
| | Total DEL | 6,382 | 6,885 | 7,227 | 6,562 | 7,427 |

¹ Numbers may appear not to sum due to rounding.

Figure 10: 5- year trend on spending – Total DEL ¹

¹ Numbers may appear not to sum due to rounding.

In 2025 to 2026 we spent £7,427 million total DEL, which included £5,550 million on our core operations, delivering the resources and systems we need to collect tax and deliver our strategic objectives. This supported delivery of £50.2 billion of compliance yield in 2025 to 2026 (read more on page 15) and helped improve the service our customers received (read more from page 28)

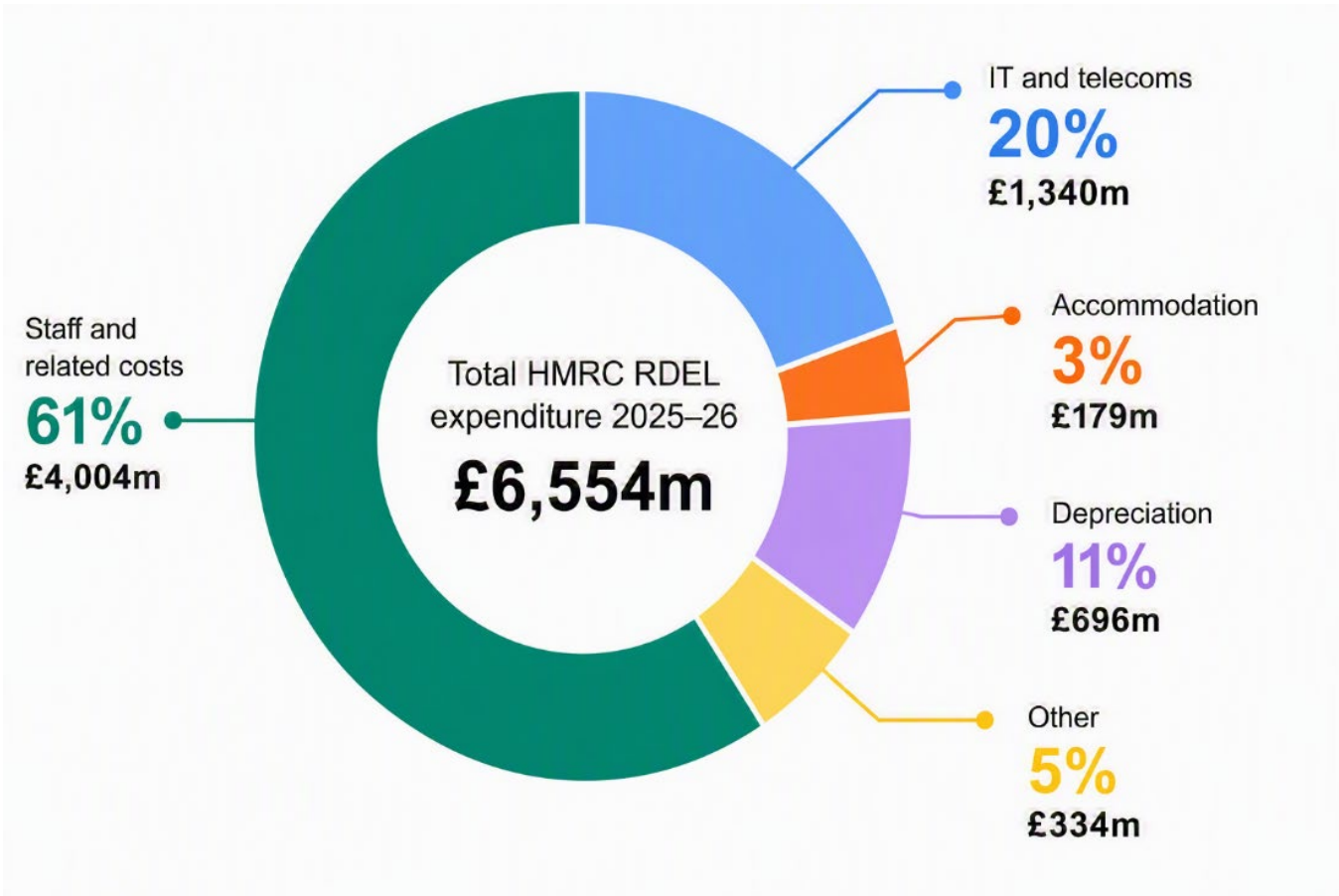
Figure 10 shows the breakdown of our expenditure into some of our main spending streams. Over the last five years, our main spend has been on our core operations with sustained investment into modern systems and capabilities needed to run the tax and customs systems resiliently.

Spending has increased on work to modernise our IT infrastructure and increase resilience in our IT architecture. This is driven most notably by the delivery of high-quality digital services that enable us to become a digital-first organisation, support a shift in how we manage customer compliance, and reduce customer service costs over time. Expenditure has also increased so we can bring in new compliance and debt management staff, following investments made at Autumn Budget 2024 and Spring Statement 2025 (read more on page 14).

In 2025 to 2026 there was no DEL expenditure on delivering COVID-19 support, as residual work has wound down and any remaining activity is now a part of our day-to-day operations.

Figure 11 shows our RDEL expenditure in 2025 to 2026 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 11: Total HMRC Group RDEL expenditure in 2025-26 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.

Variations between budget and expenditure

Table 4: 2025-26 Financial performance¹

| £ Million | Budget | Expenditure | Expenditure v Budget | Underspend on ringfences | Position excluding ringfence underspend | Position excluding ringfence underspend % |
|------------------|--------------|--------------|----------------------|--------------------------|---|---|
| Resource DEL | 6,736 | 6,552 | -185 | 159 | -25 | -0.4% |
| Capital DEL | 899 | 876 | -24 | 3 | -21 | -2.3% |
| Total DEL | 7,636 | 7,427 | -208 | 162 | -46 | -0.6% |

1 Numbers may appear not to sum due to rounding.

Table 4 shows our financial performance in 2025 to 2026, where we underspent by £208 million, the equivalent of 2.7% of our TDEL budget. When excluding our budgets under HM Treasury policy ringfences (referenced in the Budgetary Framework section), we had an underspend of 0.6%.

Against our Resource DEL budget of £6,736 million, we underspent by £185 million. When excluding underspends in HMT ringfenced budgets, the underspend was £25 million (0.4%). This underspend mainly reflects newly recruited compliance officers joining later in the year than planned. Despite this, recruitment levels remained ahead of plan by the end of the year.

Against our Capital DEL budget of £899 million, we underspent by £24 million. When excluding underspends in HMT ringfenced budgets, the underspend was £21 million (2.3%). The underspend mainly reflects changes in the timing of project delivery with expenditure on several programmes moved from 2025 to 2026 into 2026 to 2027. These changes were driven by capacity constraints in early phases of delivery. Updated cost estimates also reduced the level of capital spend required in-year.

Trends in Annually Managed Expenditure (AME)

In 2025 to 2026, we spent £25,873 million, against a budget of £28,653 million, on Annually Managed Expenditure. This was an underspend of £2,781 million. Table 5 and figure 12 show our AME spending pattern, over the last 5 years.

Overall, 52% of our AME spend was on Child Benefit payments, totalling £13,439 million in 2025 to 2026. Total Child Benefit payments have slightly increased compared to 2024 to 2025 because of higher take-up of Child Benefit following the Spring 2024 changes to the High-Income Child Benefit Charge threshold and taper. Those changes meant some higher-income households claimed or opted back into payment.

We spent £10,764 million on reliefs and allowances, which includes Corporation Tax reliefs, primarily for Research and Development relief and Film Tax relief. This made up 42% of our AME spend.

AME covers volatile or demand-led expenditure that is more difficult to control, so requires ongoing oversight. Our underspend primarily reflected fewer families claiming Child Benefit payments than forecast and lower expenditure than budgeted for Corporation Tax reliefs. The underspend in expenditure for Personal Tax Credits reflects its closure, which ended on 5th April 2025 and was replaced by Universal Credit.

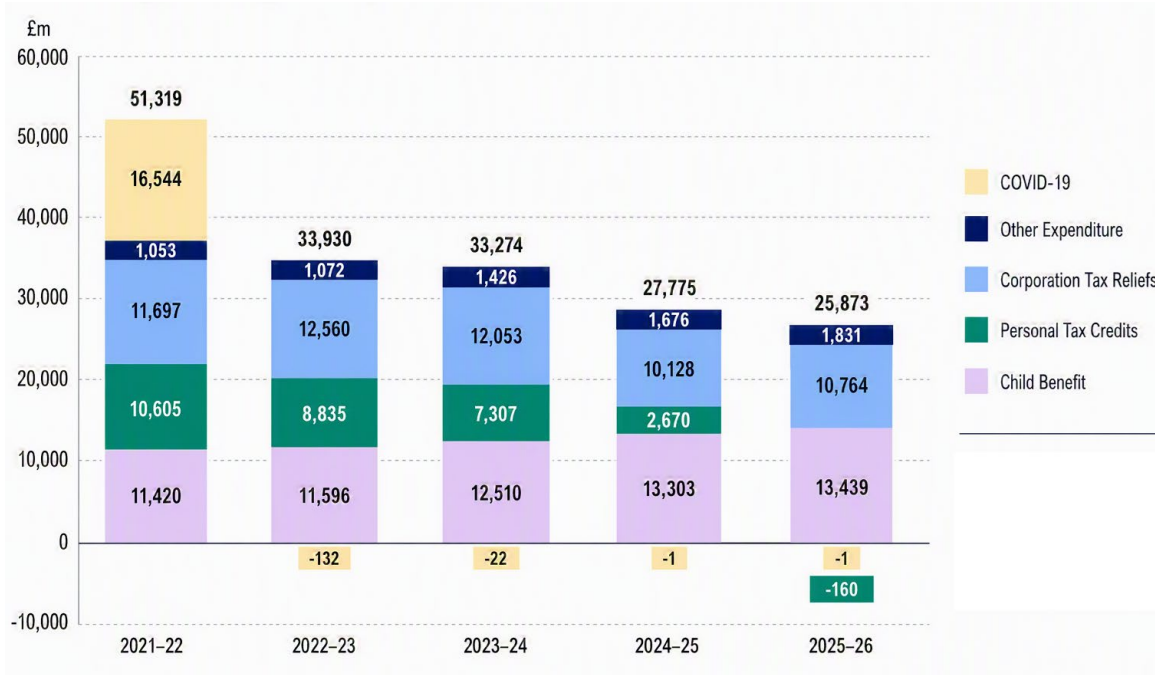
+ Read more on AME expenditure in our Resource Accounts and subsequent notes, starting on page 228.

Table 5: 5-year trend on our AME funding and spend¹

| Total Annually Managed Expenditure £ million | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|---------------|---------------|---------------|---------------|---------------|
| Funding | 59,069 | 38,162 | 36,380 | 31,723 | 28,653 |
| Expenditure | 51,319 | 33,930 | 33,274 | 27,775 | 25,873 |
| Expenditure vs Budget | -7,750 | -4,232 | -3,105 | -3,947 | -2,781 |

¹ Numbers may appear not to sum due to rounding.

Figure 12: Total AME 5-year expenditure trend¹



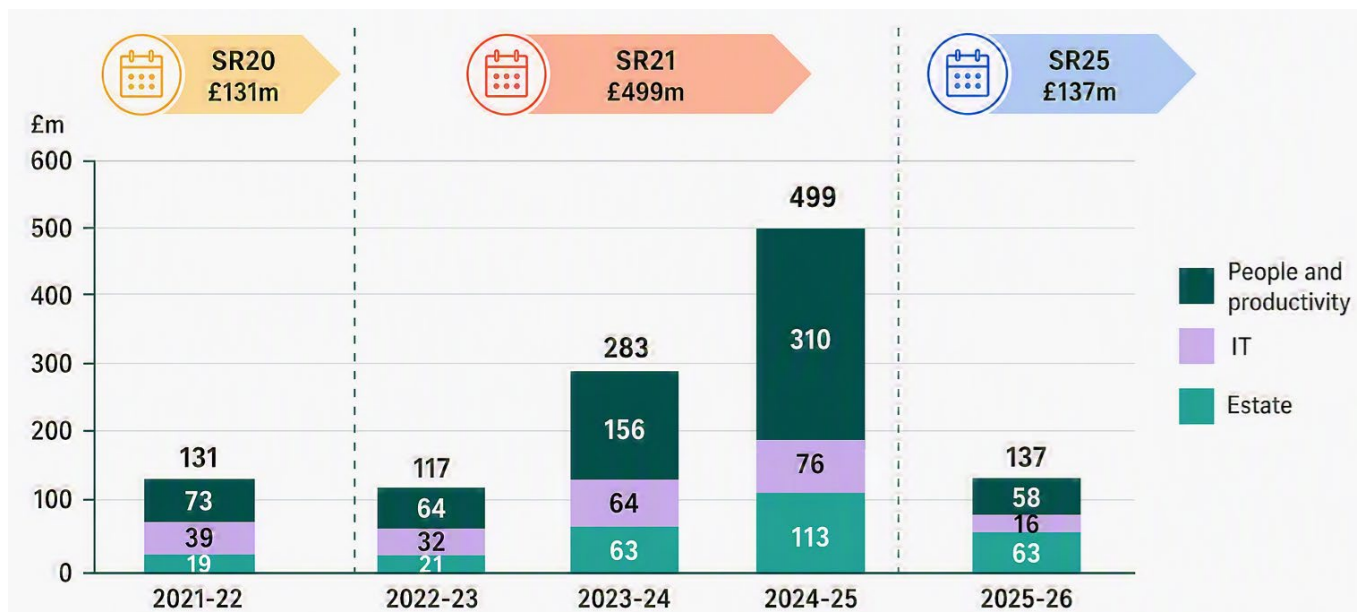
¹ Numbers may appear not to sum due to rounding.

Using public money responsibly

We're committed to using public money responsibly and we demonstrate this by delivering efficiency savings that reduce our operational costs and by comparing tax revenue with the cost of collecting it.

Delivering sustainable 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 2021 to 2022 we have delivered total sustainable efficiencies of £767 million – as a result, our costs are £767 million lower in 2025 to 2026 than they would otherwise have been.

Figure 13: 5-year view of sustainable efficiencies, cumulative by Spending Review (SR) period

In 2025 to 2026, we achieved new sustainable efficiencies of £137 million against a target of £134 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.

We made savings of £58 million through people and productivity improvements, such as by tackling compliance risks more effectively. By modernising our IT systems, through replacement of existing IT contracts with new, more efficient, services and suppliers, we delivered £63 million savings. We also saved £16 million by further optimising our office space and subletting to other government departments. Our overall efficiency commitment across the Spending Review 2025 period from 2025 to 2026 to 2028 to 2029 is £1,020 million.

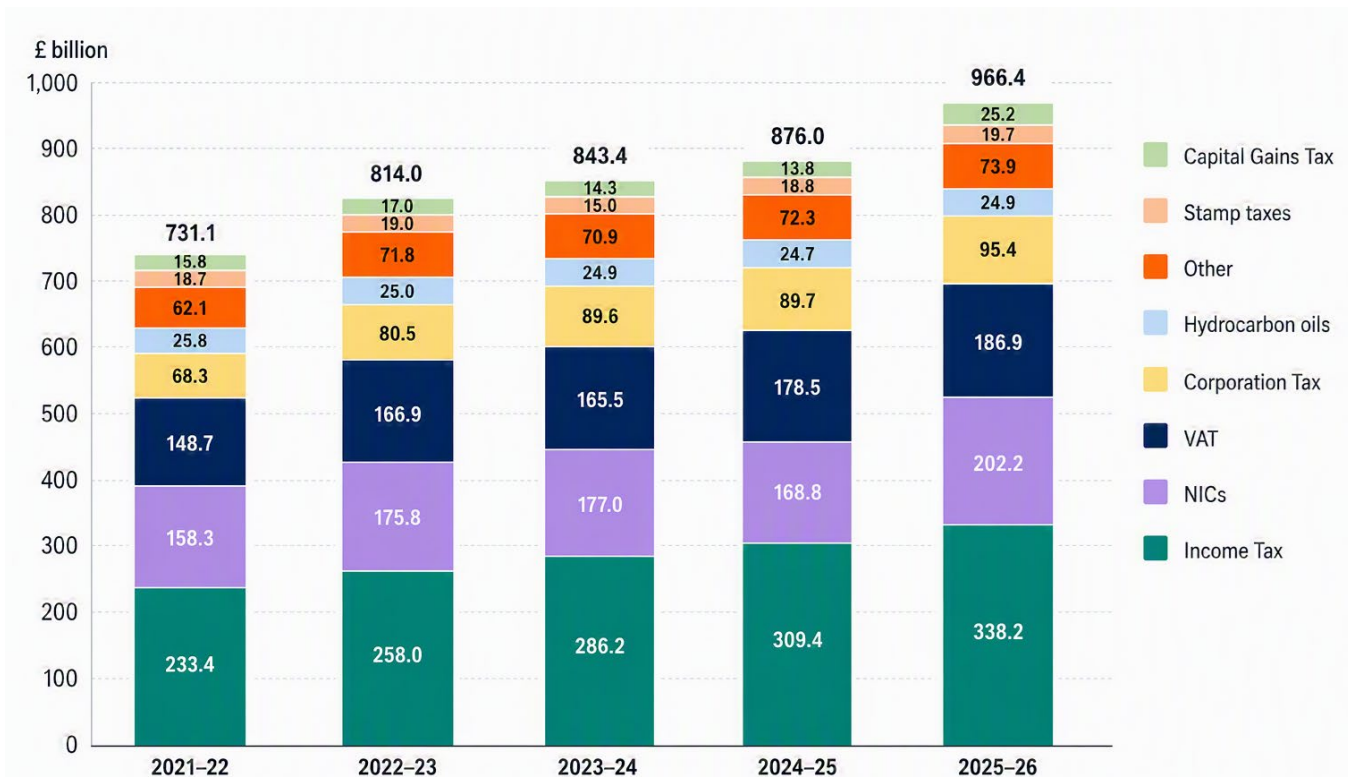
Four ways in which we delivered sustainable efficiencies this year

- We delivered £30 million of efficiencies in customer services through a combination of service redesign, increasing automation, digital modernisation and operational improvements. This improved how customers interact with HMRC digitally and reduced demand on frontline services. Examples of this include simplifying tax codes for customers, reducing the volume of queries, and improvements to Self-Assessment, including reducing manual handling
- We delivered £28 million of savings by tackling compliance risks more effectively and supporting customers to get their tax affairs right at the outset
- We continue to deliver efficiencies through the rationalisation of our digital services and infrastructure. Alongside this, we have reduced our software licensing costs, and ongoing IT support costs
- As we continue to restructure and optimise our physical estate, we saved £10 million through streamlining our facilities management contracts

Tax revenues

Total tax revenues represent all the money HMRC received (or was due to receive), less any money that we owed or repaid. Tax revenue is driven by various factors, including the overall level of financial activity taking place within the economy and the rates of taxation, allowances and reliefs set by Parliament. Tax revenues are based on when a tax liability accrues, which is different to tax receipts that are based on when a payment for a tax liability is received by HMRC. Figure 14 shows total tax revenues between 2021 to 2022 and 2025 to 2026.

Figure 14: Total tax revenues ¹



¹ Numbers may appear not to sum due to rounding.

During 2025 to 2026, we generated total revenues of £966.4 billion, which is £90.4 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 £28.8 billion (9.3%) compared to 2024 to 2025, reflecting 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 increased by £33.4 billion (19.8%) compared to 2024 to 2025 due to an increase in the secondary Class 1 rate and a decrease in the Secondary Threshold.

Corporation Tax revenues increased compared to 2024 to 2025, and VAT revenues increased by £8.4 billion (4.7%) compared to 2024 to 2025, reflecting economic growth and increased inflation.

Capital Gains Tax revenues increased by £11.4 billion (82.6%) compared to 2024 to 2025, due to a combination of policy changes including increased rates introduced part-way through 2024 to 2025, and reforms to the non-domiciled regime.

Hydrocarbon oil revenues marginally increased by £0.2 billion (0.8%) and stamp tax revenues increased by £0.9 billion (4.8%), reflecting increased property prices and the reduction in the nil-rate band.

Other taxes include a range of taxes including Insurance Premium Tax, Inheritance Tax and Tobacco Duties.

For more information on changes to tax revenues, please see page 196.

+ 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 2025 to 2026 is provisional until Summer 2026. 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 6 shows that in 2025 to 2026, 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.

A range of factors affect the cost of collection. In 2025-2026, higher expenditure was offset by higher revenue. Expenditure increased as we invested in delivering our priorities of closing the tax gap, improving day to day performance, and reform of the tax and customs system. Revenue also increased over the year, the factors that have impacted tax revenue are set out on pages 68 to 69 and from page 196 of the Annual Report and Accounts 2025 to 2026.

Table 6: Cost of collection ¹

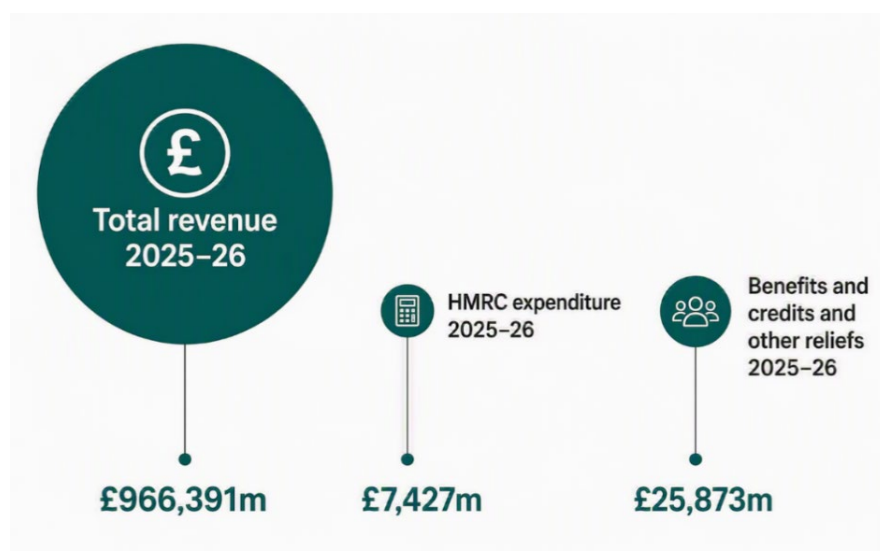
| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|----------------------------------|---------|---------|---------|---------|---------|
| Total cost of collection (pence) | 0.50 | 0.51 | 0.51 | 0.51 | 0.51 |

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 2025 to 2026

Figure 15 shows what it cost to run HMRC in 2025 to 2026. For our expenditure of £7,427 million, we generated £966.4 billion of revenue for the UK's public services and provided £25,873 million in financial support for Child Benefit and other reliefs.

Figure 15: Total expenditure relative to total revenue



Sustainability review

This chapter reports on the progress made in 2025 to 2026 to strengthen HMRC's sustainability and consideration of the environmental and social impact of our activities. This is integral to achieving our vision of becoming a trusted, modern tax and customs department as one of the most sustainable communities in government.

“In preparation for the ambitious new set of Greening Government Commitments, this year's sustainability performance will be a starting point from which to measure our progress over the next 4 years. In 2025 to 2026, we further reduced our greenhouse gas emissions, cutting them by 8% compared to the previous year (see figure 16 on page 71).

As we move closer to our net zero target of 2040, it is crucial that we remain focused, cutting emissions and embedding sustainable practices across HMRC.”

Andrew Pemberton
Chair of HMRC's Sustainability Board



Becoming more sustainable

We are committed to operating sustainably and managing our environmental impact, with the aim of being a net zero organisation by 2040.

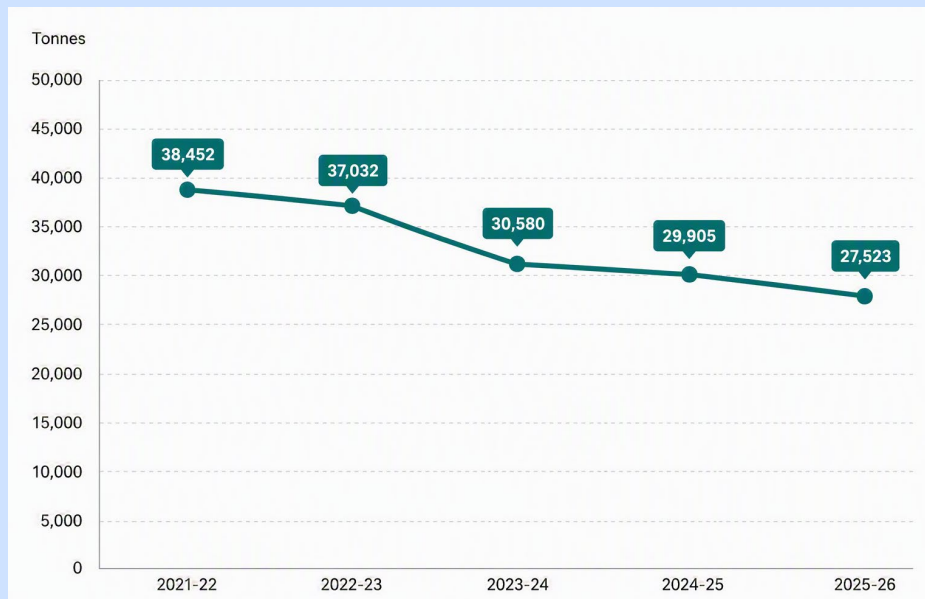
We are preparing for the new cycle of Greening Government Commitments. These new targets will require us to act faster, cutting our estate, travel, and digital emissions, while further embedding risk management, nature recovery, and sustainable procurement.

Our environmental impact

We have reduced our greenhouse gas emission substantially over time. In 2025 to 2026, our emissions fell by 8% compared to the previous year. We have also cut water consumption by 4% and reduced waste by 2%.

Figure 16: Greenhouse gas emissions

Our measurement for greenhouse gas emissions combines emissions from our buildings and domestic business travel. In 2025 to 2026, our emissions were 27,523 tonnes of carbon dioxide equivalent, achieving a reduction of 10,929 tonnes compared to 2021 to 2022.



We use an emissions factor (activity-based) method to calculate greenhouse gas emissions. This aligns with the GHG Protocol guidance. Reporting covers HMRC and the Valuation Office Agency (VOA), which until 31 March 2026 was an executive agency of HMRC when it was subsumed into HMRC.

In 2025 to 2026, we delivered several key sustainability plans, including our Nature Strategy, which aims to protect natural habitats and integrate biodiversity into decision-making processes, and our Energy Management Plan, which focuses on improving energy performance across HMRC's estate to reduce consumption and deliver savings.

We also developed a travel plan using insights from business travel data and a commuter survey, to understand our colleagues' travel habits, identify barriers to sustainable travel and support greener travel choices.

We have strengthened our understanding of the energy use of our IT estate, including AI technologies, specifically looking at the carbon intensity of Copilot functions across the Office365 suite, and we're sharing learning about efficient use of digital equipment and AI prompts with our staff.

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 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. In 2025 to 2026, we began several procurements that prioritise wider social value, working with suppliers to cut our supply chain emissions and unlock wider sustainability benefits. We are working with suppliers to accurately quantify our Scope 3 emissions.

+ For further detail on our performance, see Annex 3 on page 280.

Our social impact

We actively encourage our people to make a positive impact by strengthening the skills, wellbeing and connectivity of their local communities through volunteering, for example with schools, charities and third sector organisations. HMRC colleagues also deliver our Tax Facts educational programme, which helps young people aged 8 to 17 to understand how tax works in an engaging and accessible way (read more on page 31). Our people also donated £581,191 to charities through Payroll Giving.

Climate-related financial disclosures

This year we are continuing to report in line with HM Treasury's Task Force on Climate-related Financial Disclosures (TCFD) guidance which interprets and adapts the TCFD framework for the UK public sector.

Principal risk assessment

HMRC conducted a risk mapping exercise in 2023 to identify climate-related risks to the department. Internal analysis determined that climate is not sufficient to be considered a principal or strategic risk for HMRC, as it does not impact HMRC's ability to deliver our strategic objectives. Therefore, we have complied with the TCFD guidance by including recommended disclosures on governance (a and b), risk management (a to c) and metrics and targets (b).

We are not required to include disclosures for metrics and targets (a and c) or strategic disclosures (a to c) as climate is not considered a principal risk. We did not test if climate was otherwise a material component of another principal risk. Additional assurance is planned in 2026 to 2027, with a benchmarking exercise in collaboration with Government Actuary's Department to test our principal risk assessment process against other government departments.

+ Read about the new requirements on climate related financial disclosures at www.gov.uk/government/publications/tcf-aligned-disclosure-application-guidance/task-force-on-climate-related-financial-disclosure-tcf-aligned-disclosure-application-guidance#governance.

Our governance around climate-related risks and opportunities

We are fully compliant with the recommended TCFD disclosures for Governance.

Board oversight (a)

Reporting to the HMRC Strategy Committee and, when required, to the Executive Committee (ExCom), HMRC's Sustainability Board provides dedicated stewardship of HMRC's Sustainability Strategy and Net Zero Roadmap. During 2024 to 2025, Sustainability Board met every quarter to oversee our sustainability and net zero commitments. In previous years, the board reviewed analysis of enterprise sustainability risks.

This board is chaired by our ExCom Sustainability Champion, HMRC's Executive Director of Communications, Andrew Pemberton. Non-executive board member, Bill Dodwell, holds climate change and net zero within his portfolio at the HMRC board.

Management's role (b)

In 2025 to 2026, we improved our departmental climate governance by embedding climate-related risks within our core risk management framework. Clear ownership was assigned, with climate risks owned at the appropriate tier and escalated through established governance forums, including the Sustainability Board and Delivery Assurance Group.

Managing climate risk

We are fully compliant with the recommended TCFD disclosures for Risk Management.

Risk identification and assessment (a)

HMRC identifies climate change risks using its standard risk management approach set out in the HMT Orange Book. In 2025 to 2026, we reviewed our previously assessed risks associated with the physical impact of climate change on HMRC's operations. Risks were analysed by subject matter experts, reviewed by senior governance groups, and managed through existing risk and business continuity processes where needed.

Risk management (b)

The HMRC Process Management Standard requires Process Owners to systematically evaluate how well their processes operate by assessing effectiveness, efficiency, risk and control maturity. In 2025 to 2026 we evaluated our sustainability objectives against this standard. Where risks or weaknesses were identified, we have improved process design, and strengthened controls. We will continue to monitor risks by setting appropriate metrics, and tracking performance and control effectiveness over time.

Overall integration (c)

Climate risks, including the potential effects of extreme weather, are incorporated in our departmental risk management and governance. We have developed a Climate Change Adaptation Plan which outlines mitigations for these risks.

Our understanding of climate risk has been strengthened through modelling 2°C and 4°C warming scenarios, highlighting locations at moderate and high risk from flooding, heatwaves, and drought. This was completed in 2024 to 2025 and will inform current and future climate change adaptation measures.

In 2026 to 2027, we will benchmark our risk management processes against other public sector organisations and national frameworks to ensure our approach is proportionate, rigorous, and effective.

+ Read more on our approach to risk management and assurance on page 91.

Metrics and targets for climate-related risks

As climate is not considered a principal risk for HMRC, we do not need to comply with metrics and targets disclosures (a and c). Our performance data on sustainability reports on our emissions, following the Greening Government Commitments (GGC) reporting methodology.

Emissions (b)

We use a variety of metrics to assess climate-related risks and opportunities, which we have reported on within our Annual Report and Accounts for several years. Our performance data on sustainability comes from a range of internal and external sources. The Department for the Environment, Food and Rural Affairs verifies our GGC data, and the Carbon Trust has externally verified our methodology on supply chain emissions, which we do not publish in the Annual Report and Accounts as this is outside of the GGC requirements.

+ Read pages 70 to 71 and Annex 3 for our performance over time for each of our metrics for climate-related risks and opportunities.

How we contribute to United Nations Sustainable Development Goals

| HMRC 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. We support customers to get their tax right and step in when they do not. Read more from page 13. | 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 28. | 8 - Decent work and economic growth |
| Reform and modernisation of the Tax and Customs administration | We are reforming and modernising the tax and customs system to improve the resilience of our systems and to improve the customer experience. Read more from page 40. | 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. Our apprenticeship offer builds the skills and capabilities we need for the future. Read more from page 49. | 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 54. | 1 - No poverty 8 - Decent work and economic growth |



John-Paul Marks
Chief Executive and First Permanent Secretary

1 July 2026

Our accountability

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

- 76 Governance statement**
Our governance arrangements, risk management approach and internal control systems
- 101 Statement of Accounting Officer's responsibilities**
An explanation of the responsibilities of the Accounting Officer and reportable activities for preparing financial statements
- 103 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 2025 to 2026
- 117 Tax Assurance Commissioner's report**
A report from our Tax Assurance Commissioner on the management of tax disputes during this financial year
- 132 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

This statement sets out our governance, risk management and internal control arrangements for the financial year 1 April 2025 to 31 March 2026 and up to the date of approval of the Annual Report and Accounts, by HM Treasury guidance.

The HMRC Board follows the principles and spirit 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.

+ 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

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. HMRC is a non-ministerial department.

The Exchequer Secretary to the Treasury is 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. Until 1 September 2025, the Chancellor delegated responsibility for overseeing HMRC to James Murraby MP as Exchequer Secretary to the Treasury. From this date onwards, this has been delegated to Dan Tomlinson MP as Exchequer Secretary to the Treasury.

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 2025 to March 2026, we had 10 commissioners – Sir Jim Harra (until 6 April 2025), JP Marks (from 22 May 2025), Angela MacDonald, Jonathan Athrow, Carol Bristow, Penny Ciniewicz, Justin Holliday, Myrtle Lloyd, Helen Pickles (from 22 May 2025) and Daljit Rehal (from 22 May 2025).

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. We set out Accounting Officer responsibilities on pages 101 to

102. In 2025 to 2026 our Second Permanent Secretary and Deputy Chief Executive was 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 117 to 131).

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 non-executives as effective board members. Additionally, there are 2 non-executive sub-committee members who sit on our Audit and Risk Committee.

+ 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-2025-to-2026

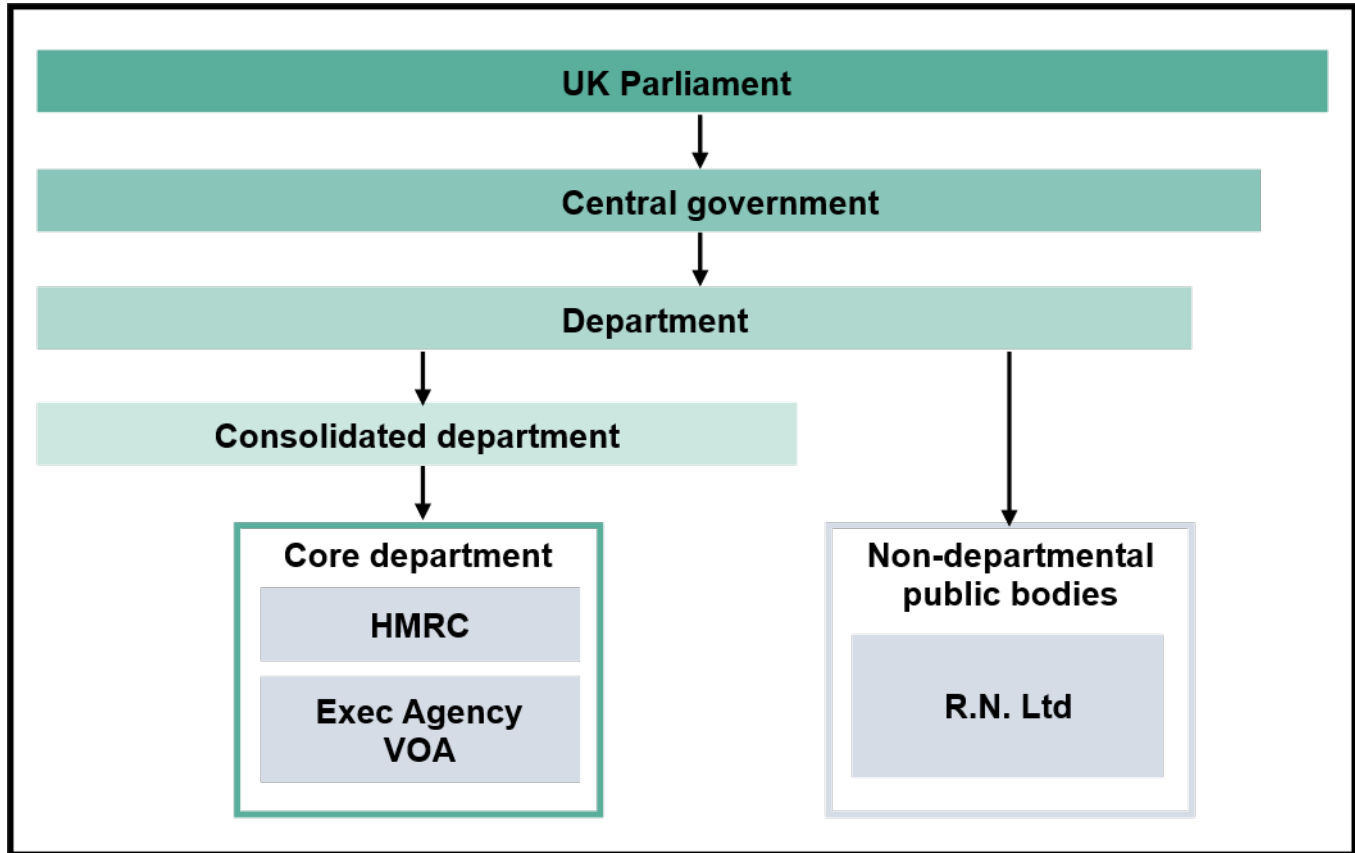
Independent Advisers

Independent Advisers 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 2025 to March 2026, Independent Advisers sat on the Customer Service Committee, the Closing the Tax Gap Committee and the Professional Standards Committee.

Valuation Office Agency

HMRC had 1 arm’s length body up to 31 March 2026: Valuation Office Agency (VOA), an executive agency of HMRC. Since 1 April 2026 VOA has been a full part of HMRC. I am satisfied that during 2025 to 2026 and since it has systems in place which meet appropriate standards of governance, decision-making and financial management.

Figure 17: HMRC accountability system



The VOA was an executive agency of HMRC which provided valuations and property advice to the government and local authorities in England, Scotland and Wales. The VOA received its funding to undertake valuations for local taxation and benefits purposes from HMRC through the Parliamentary supply process. It also recovered elements of its expenditure from other government departments where it has provided valuation services. In April 2025 the government announced that the VOA would be brought into HMRC by 1 April 2026 ceasing as an executive agency, and instead becoming a new Valuation Office business group. The VOA transitioned successfully on 1 April 2026; the integration was overseen by a Steering Group, consisting of senior VOA and HMRC colleagues.

Performance monitoring

Jonathan Russell was the VOA’s Chief Executive and Accounting Officer up until 31 March 2026 and from 1 April 2026 became the HMRC Valuation Office Director General. He is also a member of HMRC’s Executive Committee (ExCom).

HMRC’s board provided 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 included VOA data and VOA performance was included in the Finance and Delivery Reports to the HMRC Board.

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

Accountability for spending

Jonathan Russell was 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 was accountable for ensuring a high standard of financial management by strategic oversight of the VOA and following the integration of VOA into HMRC, the Accounting Officer responsibilities transferred to me as the Principal Accounting Officer.

R.N. Ltd

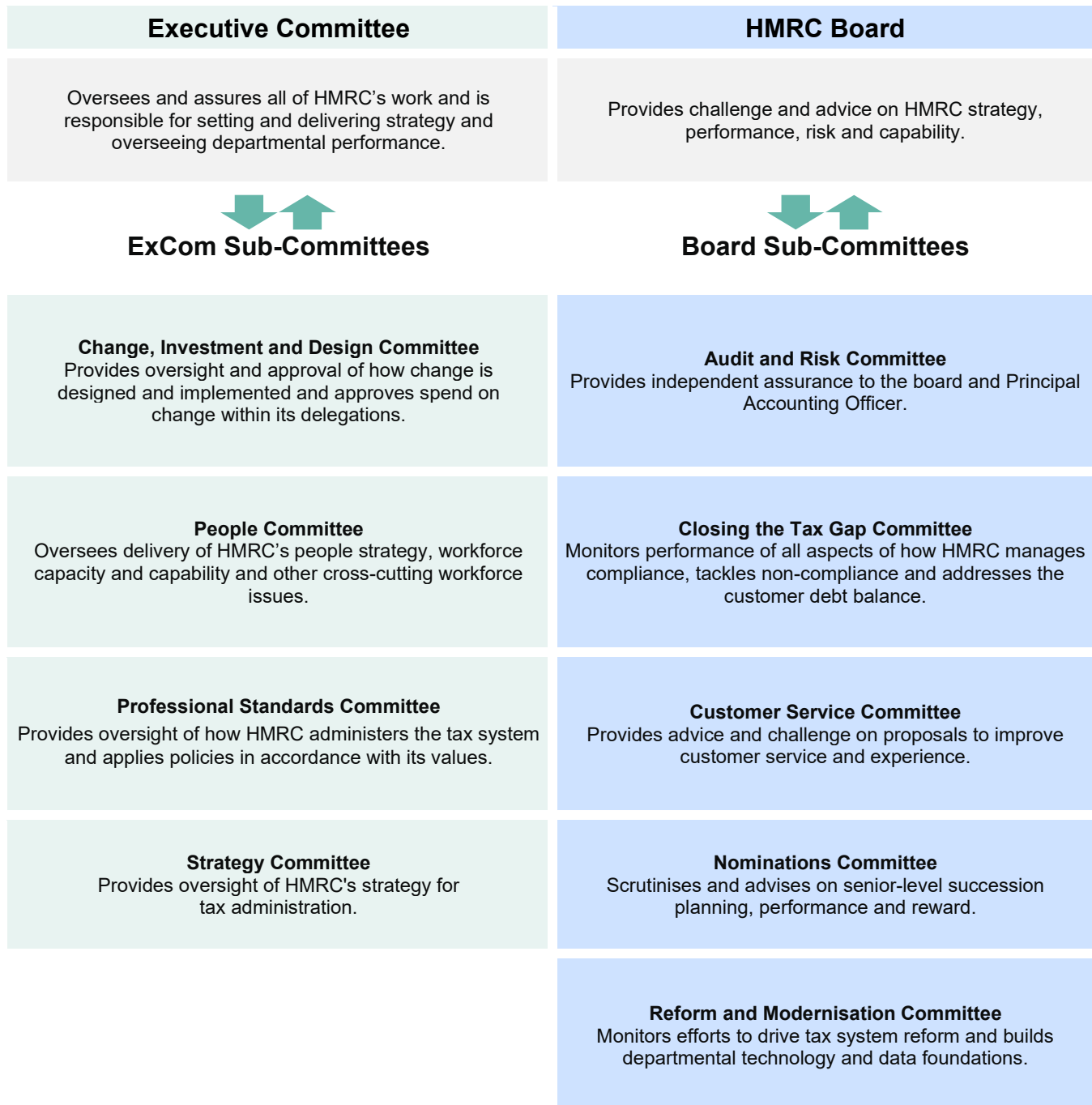
R.N. Ltd is a private company limited by shares held by the Treasury Solicitor on trust for the HMRC Commissioners. R.N. Ltd acts as a nominee for the commissioners and the company holds charges over assets that secure tax debts owing to HMRC. It holds registered title over assets assigned to HMRC in settlement of tax liabilities. R.N. Ltd had 4 directors on 31 March 2026. 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.

Our governance structure

HMRC has 2 top-level governance committees, which are HMRC Board and HMRC Executive Committee (ExCom). The chart below sets out the structure of the department’s senior boards and committees for 2025 to 2026. This framework enables ExCom to make decisions effectively, with appropriate support, challenge and assurance from our non-executives. Earlier this year we established a new sub-committee of the board to provide it with greater assurance on HMRC’s Security and Resilience agenda. The Committee will begin its work in spring/summer 2026.

Figure 18: HMRC Committee structure during 2025 to 2026



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

It has been another productive year for HMRC's board. The board has continued to work constructively with the Exchequer Secretary to the Treasury as Chair, the Chief Executive, and the wider executive team, providing challenge, support and advice as the department has progressed its strategic objectives in a demanding operating environment.

The board has benefited from an effective working relationship with the chair, and I would like to thank James Murray MP and Dan Tomlinson MP for their leadership of the board over the year.

The refreshed board governance arrangements set up last year are now well embedded. The Customer Service, Closing the Tax Gap, and Reform and Modernisation Committees have each played an important role in supporting delivery of the department's priorities, tracking progress and testing assumptions. Underpinning this, our Nominations Committee continued to support on talent management and succession planning. Similarly, the Audit and Risk Committee maintained its focus on strengthening the department's risk and control environment and scrutinising the integrity of our financial statements.

A key area of focus for the board this year has been HMRC's ongoing transformation and modernisation. The board has taken a close interest not only in the ambition set out in HMRC's Transformation Roadmap, but pushed to understand how HMRC's transformation is translating into practical change for customers and the wider tax system. Through the Reform and Modernisation Committee, the board has scrutinised delivery milestones, tested the department's approach to risk and pace, and sought assurance that reform is improving outcomes while maintaining system resilience.

The board has also paid a keen interest in the integration of the Valuation Office into HMRC's governance and operating model. We welcome the opportunities this creates for closer alignment and shared capability. The board will continue to monitor how opportunities are realised and support better outcomes over time.

This year saw a period of transition for the board. In July, we said farewell to 2 long-serving non-executive directors, Paul Morton and Pat Gallan, who both concluded their terms after making significant contributions to HMRC's governance and oversight. Paul brought deep tax expertise, while Pat's background in policing and enforcement provided valuable perspective. I would like to thank them both for their service and for the professionalism they brought to the board.

We concluded recruitment of additional members of the non-executive team, welcoming Heather Self, Sachin Jogia and Sir Craig Mackey to round out the board. They bring a complementary mix of tax, digital, and policing experience. All 3 have stepped into the role admirably and, with the rest of the non-executive team, are making a strong contribution to board discussions, offering independent perspective, challenge and support.

We also look ahead to the departure later this year of Michael Hearty, who is concluding his time as Chair of the Audit and Risk Committee (ARC). Michael has been a dedicated public



servant and an exemplary ARC Chair, providing robust assurance and thoughtful challenge across financial reporting, risk and internal control. His contribution has strengthened the department's assurance framework, and I thank him for his commitment and leadership.

I want to thank Angela MacDonald for her time on the board, ahead of her concluding her time with the department as Second Permanent Secretary. Angela has made an outstanding contribution to HMRC's transformation programme and operational excellence. I know the board has always valued her insights, and I thank her for exceptional contribution to the Civil Service, including most recently her leadership of the Civil Service Pensions Taskforce.

I would like to thank my fellow board members and the executive for a constructive working relationship. The board remains focused on supporting HMRC as it continues to transform, improve performance and deliver its vital role on behalf of the public.

Looking ahead, the board is preparing to consider the findings of the 2026 Board Effectiveness Review, which will be discussed at the board in July. Regular effectiveness reviews are an important part of good governance, helping the board to reflect on how it operates and where it can continue to improve. I would like to thank Beverley Tew for her work in supporting this year's review and look forward to discussing the outcomes. I am confident that this, coupled with the firm foundations laid this year position, will set the board up well for the challenges and opportunities ahead.



Dame Jayne-Anne Gadhia
Lead Non-Executive Director

HMRC's non-executive directors (end of March 2026)



Dame Jayne-Anne Gadhia

Lead Non-Executive Director,

Committees: Reform and Modernisation, Nominations



Bill Dodwell

Committees: Closing the Tax Gap



Michael Hearty

Committees: Audit and Risk, Customer Service



Sachin Jogia

Committees: Reform and Modernisation



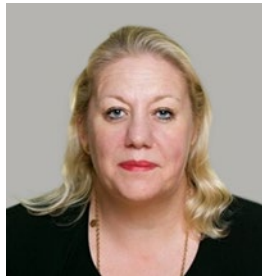
Sir Craig Mackey

Committees: Audit and Risk



Heather Self

Committees: Closing the Tax Gap



Jennifer Tippin

Committees: Customer Service, Nominations

Non-executive members of Audit and Risk Committee (end of March 2026)



Charlotte Moar



Andre Katz

HMRC's Executive Committee members (end of March 2026)



John-Paul Marks
Chief Executive and First Permanent Secretary, Principal Accounting Officer, and member of the board



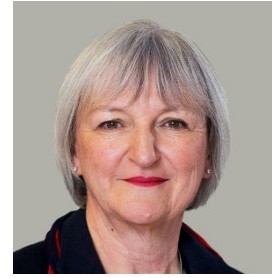
Angela MacDonald
Deputy Chief Executive and Second Permanent Secretary and member of the board



Jonathan Athow
Director General Customer Strategy and Tax Design



Carol Bristow
Director General Borders and Trade



Penny Ciniewicz
Director General Customer Compliance



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



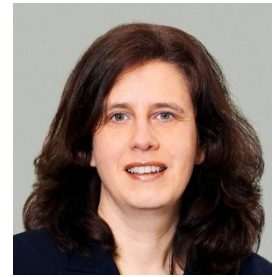
Justin Holliday
Chief Finance Officer, Tax Assurance Commissioner and member of the board



Myrtle Lloyd
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



Helen Pickles
Chief People Officer



Lucy Pink
Director of Portfolio Management



Daljit Rehal
Chief Digital Information Officer and member of the board



Jonathan Russell
Chief Executive of the Valuation Office Agency

Attendance tables (end of March 2026)

The tables below present attendance data for the Chair of the Board, Non-Executive Directors, members of the Audit and Risk Committee and Executive Directors.

The figure presented reflects attendance relative to the period during which the member held the role; for example, 5/7 indicates that the member attended five of the seven meetings held during their tenure. The total number of meetings will therefore vary where a member commenced or ceased their role partway through the financial year.

Table 7a: Board and committee chairs

| Board | ARC | NC | CSC | CTGC | R&MC | ExCom |
|------------------|----------------|------------------------|-----------------|--------------|------------------------|-----------------|
| Dan Tomlinson MP | Michael Hearty | Dame Jayne-Anne Gadhia | Jennifer Tippin | Heather Self | Dame Jayne-Anne Gadhia | John-Paul Marks |

Table 7b: Meeting attendance by Chair of the Board¹

| Chair of the Board | Date started or left role | Board (7) | ARC (6) | NC (3) | CSC (5) | CTGC (5) | R&MC (5) |
|--------------------|---------------------------|--------------|------------|-----------|------------|-------------|-------------|
| James Murray MP | September 2025 (left) | 2/2 | - | - | - | - | - |
| Dan Tomlinson MP | September 2025 (joined) | 4/5 | - | - | - | - | - |

Table 7c: Meeting attendance by non-executive directors¹

| Non-executive directors | Date started or left role | Board (7) | ARC (6) | NC (3) | CSC (5) | CTGC (5) | R&MC (5) |
|-------------------------|---------------------------|--------------|------------|-----------|------------|-------------|-------------|
| Dame Jayne-Anne Gadhia | | 6/7 | - | 3/3 | - | - | 5/5 |
| Mike Bracken | April 2025 (left) | 1/1 | - | - | - | - | - |
| Bill Dodwell | | 7/7 | - | - | - | 5/5 | - |
| Patricia Gallan | July 2025 (left) | 2/2 | - | 0/1 | - | - | 1/1 |
| Sachin Jogia | September 2025 (joined) | 4/5 | - | - | - | - | 3/3 |
| Michael Hearty | | 6/7 | 6/6 | - | 5/5 | - | - |
| Sir Craig Mackey | September 2025 (joined) | 5/5 | 2/3 | - | - | - | - |
| Paul Morton | July 2025 (left) | 1/2 | 2/2 | - | - | 1/1 | - |
| Heather Self | September 2025 (joined) | 4/5 | - | - | - | 3/3 | - |
| Jennifer Tippin | | 4/7 | - | 2/2 | 5/5 | - | - |

¹ '-' indicates the individual was not a member of the board/committee.

Table 7d: Meeting attendance by members of the Audit and Risk Committee¹

| Member | Date started or left role | Board (7) | ARC (6) | NC (3) | CSC (5) | CTGC (5) | R&MC (5) |
|----------------|---------------------------|--------------|------------|-----------|------------|-------------|-------------|
| Charlotte Moar | | - | 6/6 | - | - | - | - |
| Andre Katz | | - | 5/6 | - | - | - | - |

¹ '-' indicates the individual was not a member of the board/committee.

Table 7e: Meeting attendance by executive directors¹

| Executives | Date started or left role | Board (7) | ExCom (27) |
|-------------------------------|---------------------------|--------------|---------------|
| Sir Jim Harra KCB | April 2025 (left) | - | - |
| John-Paul Marks | April 2025 (joined) | 7/7 | 23/26 |
| Angela MacDonald ² | | 6/7 | 19/27 |
| Jonathan Athow | | - | 24/27 |
| Carol Bristow | | - | 22/27 |
| Penny Ciniewicz | | - | 22/27 |
| Alan Evans | | - | 24/27 |
| Justin Holliday | | 7/7 | 25/27 |
| Myrtle Lloyd | | - | 22/27 |
| James Mitton | | - | 22/27 |
| Suzanne Newton | | - | 25/27 |
| Andrew Pemberton | | - | 22/27 |
| Helen Pickles | | - | 21/27 |
| Lucy Pink | | - | 23/27 |
| Daljit Rehal | | 7/7 | 20/27 |
| Jonathan Russell | | - | 20/27 |

¹ '-' indicates the individual was not a member of the board/committee.

² From January 2026 Angela MacDonald began leading a taskforce to manage casework backlog as part of a cross-government taskforce following the Civil Service Pension Scheme's change of administration.

HMRC Board and sub-committees

HMRC Board

Over the past year the board continued to monitor and challenge on overall performance, strategy, risk and capability. This included the delivery of HMRC's priorities, the integration of the Valuation Office, building a high-performing organisation and a broad range of strategic risks such as security and data protection. The board also discussed strategic documents, including its Business Plan and the Transformation Roadmap. The board was chaired by the Exchequer Secretary to the Treasury. Between April 2025 and March 2026, it met 7 times.

Board effectiveness

The board conducts an annual effectiveness review in line with best practice. In 2026 the board undertook its review, this included independent input by a Lead Non-Executive Director from another government department. The review found that the Board was operating effectively, in line with best practice, that it received appropriate and accurate information on departmental performance and members understood their roles and the responsibilities of the board. Examples of areas identified for further consideration and potential improvement by the board included: striking the right balance on informal vs formal engagement, development and training opportunities, and greater alignment between board and Executive committees. The board will take stock of these ideas later this year.

HMRC Board sub-committees

Audit and Risk Committee (ARC)

The Audit and Risk Committee continued its work to provide assurance to the board and Accounting Officer on the integrity of the financial statements and the comprehensiveness and reliability of assurances on governance, risk management and the control environment.

The committee assured the integrity of the 2025 to 2026 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 has an integral role in the development and scrutiny of the Annual Report and Accounts. ARC was chaired by Michael Hearty and met 6 times from April 2025 to March 2026.

Nominations Committee (NC)

The Nominations Committee provided strategic oversight and scrutiny on talent development and pipelines, succession planning, performance and reward arrangements of the Executive Committee. It was chaired by Jayne-Anne Gadhia and met 3 times from April 2025 to March 2026.

Customer Service Committee (CSC)

The Customer Service Committee supported the board by providing advice and challenge to the department on its work to improve day-to-day performance and overall customer experience in line with HMRC's Charter. During 2025 to 2026 the Committee focused on stabilising core performance, strengthening customer service performance while accelerating the shift to digital and the Digitising Post Programme.

CSC was chaired by Jennifer Tippin and met 5 times from April 2025 to March 2026.

Closing the Tax Gap Committee (CTGC)

The committee supported the board by providing support, scrutiny and challenge on the approaches available to close the tax gap, a key Ministerial priority. In 2025 to 2026 it focused on the key risks and opportunities associated with small businesses, the application of third-party data and Artificial Intelligence in compliance.

The committee was chaired by Bill Dodwell (until September 2025) and Heather Self (from September 2025) and met 5 times from April 2025 to March 2026.

Reform and Modernisation Committee (R&MC)

The committee supported the board by monitoring and providing assurance on progress against the full range of priorities across HMRC's reform and modernisation agenda. During 2025 to 2026 the committee considered progress against the deliverables in the Transformation Roadmap, including reform of how HMRC delivers change, the development of regime ownership and the overall operating model.

R&MC was chaired by Jayne-Anne Gadhia and met 5 times from April 2025 to March 2026.

Executive Committee and sub-committees

In May 2025, the Executive Committee (ExCom) considered the executive governance arrangements in HMRC, the findings were implemented over the year.

ExCom agreed to meet in distinct modes across its regular meetings: Strategy, People, Delivery and Transformation, which facilitated enhanced focus on key priorities and issues critical to HMRC's overall mission and performance. ExCom also agreed to create a new People Committee to provide greater oversight of crosscutting workforce matters and delivery of HMRC's People Strategy.

ExCom also agreed to stand down 2 sub-committees - Enterprise Data Committee and Risk and Control Committee - allowing ExCom to take direct oversight of HMRC's key risks. It also stood down the Making Tax Digital Executive Oversight Group, whereby the MTD Programme Board remained in place and ExCom retained oversight of MTD through its Transformation Mode meetings.

ExCom

ExCom provides the executive leadership and management of the department. As the senior decision-making body it is responsible for delivering HMRC's strategic objectives, day-to-day performance and the transformation agenda. In 2025 to 2026 it routinely reviewed HMRC's performance and the delivery of major programmes and initiatives. It assessed the most significant corporate risks and risks to the tax system, agreeing mitigations. It also shaped and refined HMRC's strategy, the Business Plan as well as the Transformation Roadmap.

It was chaired by John-Paul Marks and met 27 times from April 2025 to March 2026.

ExCom sub-committees

Change Investment and Design Committee

The Change Investment and Design Committee (CIDC) ensures that the change plan approved by ExCom is funded and executed effectively, including signing off key decision and investment decisions. In 2025 to 2026 the committee approved our most significant business cases. It also developed, supported and assured design principles and standards for use across HMRC.

CIDC was chaired by Justin Holliday and met 18 times from April 2025 to March 2026.

People Committee

The People Committee was established in October 2025, to drive delivery of the HMRC People Strategy and advise ExCom on the impact of significant changes to HMRC-wide HR policy. It agreed the annual workforce and location plans and provided direction to workforce capability and capacity, including terms and conditions and learning and development.

The committee was chaired by Helen Pickles and met 4 times from October 2025 to March 2026.

Professional Standards Committee

The Professional Standards Committee (PSC) provides oversight of how HMRC administers the tax system and applies policies in accordance with its values. In 2025 to 2026 the committee discussed HMRC's operations, focusing on technology, fairness, trust and transparency. This included the use of AI, customer service improvements, and data use.

PSC is chaired by Jonathan Athrow and met 4 times from April 2025 to March 2026.

Strategy Committee

The Strategy Committee supports ExCom by coordinating the different elements of HMRC's strategy, ensuring coherence across totality of our strategic policy work. In 2025 to 2026 the committee continued to support robust strategy development this included discussions on: the development of the Transformation Roadmap, the Stakeholder Strategy and supported ways to embed the Charter.

The committee was chaired by Jonathan Athrow and met 7 times from April 2025 to March 2026.

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

Risk management and assurance

Our approach to risk management

HMRC has established a proactive risk culture with a risk and control framework aligned to HM Treasury's guidance – "The Orange Book", which enables the management of risks across the organisation. Page 93 highlights the key risks in 2025 to 2026, which we manage to deliver our key priorities. Page 73 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.

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 year we delivered a targeted improvement plan, which included the development of key forward looking risk indicators into our reporting processes and updating our risk appetite around key risk we are managing, also we will continue to strengthen control design and application and the effectiveness of assurance, and reinforcing clear accountability for risk control and management.

The Chief Risk Officer Alison Bexfield who reports to Justin Holliday, has oversight of departmental assurance activity including governance, risk, and control. Alignment of these activities across HMRC is helping to create a more consolidated picture of risk and control with further opportunity to streamline activity and to take advantage of advances in technology tooling. The Chief Risk Officer, supported by the HMRC Process Risk and Control Board which brings together risk and assurance leads from across HMRC, continues to support the Executive Committee (ExCom) to further improve our risk and control framework, setting improvement priorities to contribute to safer and more efficient processes that support the delivery of our strategic objectives.

The HMRC Process Risk and Control Board focusses on the effectiveness of the HMRC risk and control framework and management of associated risk and control issues, including identifying and providing targeted oversight to remediate any weaknesses, and escalating to ExCom where necessary. The board plays a key role in strengthening the HMRC Risk and Control Framework, for example it approved a new risk model to enhance the management of the HMRC Security risk theme. The HMRC Security risk theme assesses and reports the overarching security risk for HMRC, a diverse organisation providing critical services and holding assets that are significantly attractive to organised crime and nation state actors. Although the risk is owned by HMRC Security, the accountability regarding risk management and the application of security controls is localised in taking actions to reduce security risk, and also the crosscutting nature of security risk is not effectively captured, which results in a partial overall enterprise security risk picture.

The board agreed a new component risk model which provides assessment of the "right" risks across HMRC to feed the overarching security risk theme, providing a more dynamic risk picture based on current threats and control vulnerabilities. It provides a structure for risk to move in and out of prominence, for example an identity component risk might be necessary in the current climate, but once within tolerance can move out, which provides more effective senior risk management oversight.

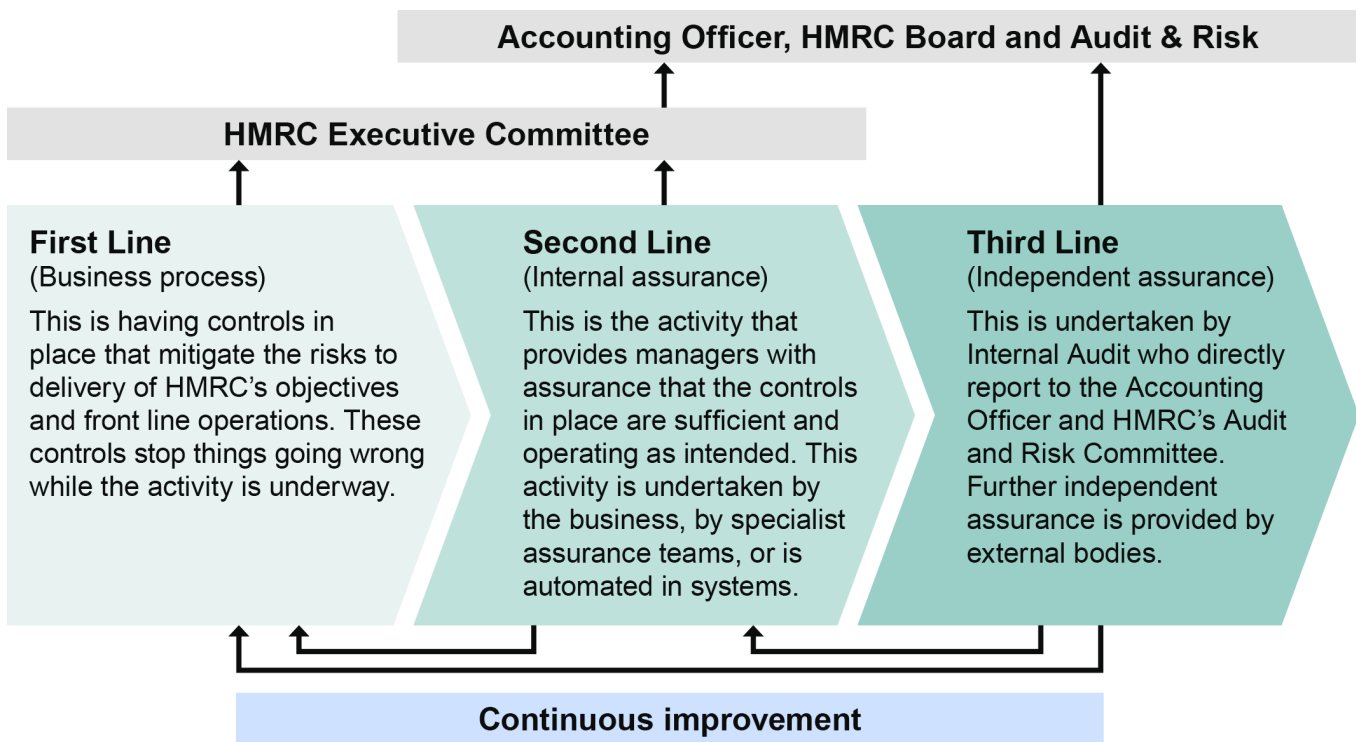
Our risk and control framework is based on the 'Three Lines Model'. This assurance model facilitates the effective management of risk throughout the reporting period, by clearly defining

roles and activities for front-line operations, internal assurance, and independent assurance; and by supporting regular monitoring and review of the consolidated picture of assurance to identify areas for improvement. The front-line operates controls to mitigate risks to delivery and internal assurance provides management with confidence as to whether the controls in place are effective. An independent view of the effectiveness of controls including our internal assurance is provided by Internal Audit and external bodies. Crucially, this includes National Audit Office (NAO) reports which contribute to the overall independent assurance from which HMRC benefits.

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 107 to 109.

Figure 19: 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, reporting and managing the risks to the delivery of our objectives
- **controls:** embedding effective controls in our business processes to ensure risks are managed and objectives are met
- **management assurance:** assuring the controls in place are sufficient and operating as intended, and taking the necessary action to address any weaknesses

- **independent assurance:** gaining internal and external audit views as to the effectiveness of our control framework
- **data:** ensuring that the data on which our business relies is secure and accurate

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 2025 to 2026 have been sufficient to continue managing risks effectively.

HMRC's key risks in 2025 to 2026

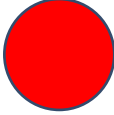
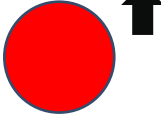
Our Executive Committee manages 8 key risks, which helps us to ensure we can deliver on our key priorities: to close the tax gap, improve day-to-day performance and modernise and reform the UK tax and customs system.

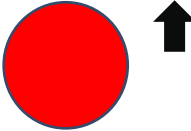

Our most significant risks remain in Security, Digital & Technology and Data. In 2025 to 2026, we made progress in managing these risks by advancing our IT improvement plan and strengthening key data and security controls. However, we continue to carry substantial risk due to our legacy IT estate, and we have therefore invested heavily in modernising our IT infrastructure and migrating to new, more resilient platforms.



Our risks are further heightened by an increasingly volatile external environment, particularly ongoing conflict in the Middle East, which is driving economic uncertainty and supply chain instability. In response, we are closely monitoring developments and strengthening contingency planning, assessing a range of scenarios, options, and trigger points for action.

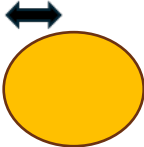
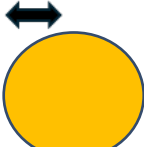
Addressing our most significant risks is dependent on the delivery of our ambitious change portfolio and we have therefore focused on mitigating risks that could delay or disrupt delivery—improving planning and dependency management and ensuring we have the technical capability needed to deliver change.

+ Read more information about our risk management approach on pages 91 to 93.

| Principal Risk | Key Mitigating Actions | Risk Rating and Trend |
|---|---|--|
| <p>Security</p> <p>Risk Description: Ineffective operation of security processes and controls, which lead to the potential failure of business-critical services and/or failure to protect HMRC, its people and assets from harm or misuse.</p> | <p>To mitigate we have:</p> <ul style="list-style-type: none"> Strengthened controls to detect and respond to insider threat risks arising from employee system and data access. We have enhanced governance, policy frameworks and cross-functional coordination Maintained a 99.99% cyber-attack containment rate, continuing to protect systems against an increasingly complex and evolving threat landscape Strengthened security policies, including introducing a dedicated policy for the secure use of artificial intelligence Implemented a centralised supplier security assurance and procurement function to eliminate inconsistencies in supply chain security management and strengthen assessment of new and existing suppliers Formed a new Resilience Directorate to enhance our operational resilience, crisis response and recovery capability Modernised Identity and Access Management services, establishing a central Fraud Prevention Centre, monitoring, responding to threats and actively supporting customers and intermediaries | <p>Stable</p> <p>↔</p>  |
| <p>Digital & Technology</p> <p>Risk Description: Failure to deliver and maintain a resilient IT estate, which lead to reduced productivity, security vulnerabilities and the potential failure of critical business services.</p> | <ul style="list-style-type: none"> Delivered major elements of the IT improvement plan, including retiring key legacy systems such as the VAT Mainframe Began enabling work to migrate the Enterprise Tax Management Platform to a cloud-hosted environment, improving stability and usability, and reducing dependence on ageing systems Enhancements to Time to Pay (TTP) digital services including affordability assessments, wider regime coverage and new TTP features, have increased customer self-serve and strengthened payments-estate resilience Made strong early progress on modernising legacy infrastructure, with initial migrations underway and strengthened cloud controls enhancing service resilience Expanding cloud-based capabilities through the Data Lakehouse and Hybrid Integration Platform | <p>Improving</p>  |

| | | |
|--|--|--|
| | <p>programmes, boosting scalability, resilience and security</p> | |
| <p>Data and information</p> <p>Risk Description: Failure to appropriately store, maintain, access and protect data, which limit HMRC's ability to effectively exploit information and/or comply with regulatory requirements, leading to poor performance and potential reputational damage.</p> | <p>To mitigate we have:</p> <ul style="list-style-type: none"> • Accelerated migration of legacy systems to a more secure cloud platform to strengthen security controls, improve resilience and protect customer data • Modernised identity and access management to improve protection and regulatory compliance and strengthened core data controls with enhanced encryption • Introduced new digital solutions to improve customer support and service delivery, reducing errors and operational data risks • Invested in building our data governance capacity to support colleagues carrying out Data Protection Impact Assessments and to improve SharePoint use • Continued to ensure that staff complete compulsory data protection training • Improved our response times for subject access requests | <p>Improving</p>  |
| <p>Change – Design & Delivery</p> <p>Risk Description: Failure to plan, resource and deliver change effectively, which could limit HMRC's ability to deliver its transformation ambitions and achieve its future operating state.</p> | <p>To mitigate we have:</p> <ul style="list-style-type: none"> • Published and embedded a Transformation Roadmap to drive alignment of programmes with a clear, shared view of priorities, outcomes and transformation objectives • Strengthened portfolio-wide planning and dependency management, including critical-path mapping and clearer delivery baselines, improving visibility of sequencing, delivery pressures and future risks • Improved resource and capability management through targeted recruitment, skills development, enhanced demand planning and prioritisation controls on constrained legacy platforms • Reinforced scope control and delivery discipline through clearer entry-point prioritisation, stronger governance and increased use of agile delivery approaches to support pace and flexibility • Strengthened design capability and accountability through the Design Review, with clearer enterprise design leadership and increased collaboration | <p>Stable</p>  |

| | | |
|---|---|--|
| | <ul style="list-style-type: none"> • Strengthened enterprise change frameworks and rationalised planning and delivery artefacts, improving consistency, reducing duplication and providing clearer assurance over how change is delivered • Enhanced Enterprise Change Management Tools capability and insight through improved system integrations, functionality and targeted user training • A Quarterly Portfolio Review process, providing more structured, regular oversight of delivery progress, financial performance and prioritisation, enabling earlier intervention and improved control of portfolio-level risks | |
| <p>Customer</p> <p>Risk Description: Failure to deliver HMRC's customer service priority impacting customer experience.</p> | <p>To mitigate we have:</p> <ul style="list-style-type: none"> • Published the HMRC Transformation Roadmap, setting out a clear direction for the enhancement of our digital services • Made significant progress in improving telephony and post turnaround times through targeted investment in frontline services • Improved our ability to identify customers needing extra support, improving safeguarding and ensured more customers receive the right help at the right time • Digital Self Assessment (SA) improvements have enabled SA customers to resolve debts more efficiently through Digital Pay Here, enhancing customer experience and streamlining processes • PAYE improvements now provide clearer tax code information and explanations to all PAYE web customers, with further enhancements planned • Targeted improvements have been made to GOV.UK guidance in areas that drive the highest levels of customer demand and dissatisfaction. This has focused on simplifying content and improving clarity to help customers self-serve more effectively and reduce avoidable contact | <p>Improving</p>  |
| <p>People & Workplace</p> <p>Risk Description: Failure to attract and engage an appropriately skilled workforce, and/ or to provide a safe and efficient workplace.</p> | <p>To mitigate we have:</p> <ul style="list-style-type: none"> • Strengthened strategic workforce planning and organisational capacity to better manage recruitment pressures and deploy critical skills more effectively • Advanced key capability programmes, including the launch of the Tax, Customs & Compliance | <p>Improving</p>  |

| | | |
|---|--|---|
| | <p>Academy, to build sustainable technical and professional capability</p> <ul style="list-style-type: none"> Improved workforce stability, through increased employee retention and higher levels of staff engagement, with the Employee Engagement Index reaching its highest recorded level Enhanced organisational capability through targeted leadership and change skills development, supported by modernised workplaces Invested in digital infrastructure, including the wider adoption of artificial intelligence and digital tools, to improve delivery capability and colleague experience | |
| <p>Finance</p> <p>Risk Description: Failure to plan strategically, prioritise effectively and deliver efficiencies, which lead to missed opportunities to improve operations and reputational damage.</p> | <p>To mitigate we have:</p> <ul style="list-style-type: none"> Continued to drive efficiency and demand-reduction measures to improve customer service and reduce operational costs Set up a programme to reduce our reliance on paper correspondence, whilst retaining paper post provision for critical correspondence and for the digitally excluded, delivering permanent savings and improving long-term sustainability Aligned legacy system decommissioning and IT modernisation milestones with the single IT plan, supported by monthly progress reviews and supplier engagement to prevent escalating technology costs and ensure efficiencies can be tracked and monitored Continued to integrate the planning process, aligning forecasts with performance to track and monitor budget variances | <p>Stable</p>  |
| <p>Stakeholders</p> <p>Risk Description: Failure to effectively engage key stakeholders (including OGDs), which limit HMRC's ability to deliver and lead to loss of trust in the organisation.</p> | <p>To mitigate we have:</p> <ul style="list-style-type: none"> Developed a strategic delivery roadmap setting out our long-term vision for Intermediary services Worked with agents and third-party stakeholders to reinforce HMRC's long-term commitment to intermediation via the delivery of our strategic stakeholder engagement and communications plan Developed a more open and collaborative engagement approach, including setting up new working groups, to ensure we listen and effectively respond to stakeholder feedback | <p>Stable</p>  |

Insider risk

HMRC takes the risk of insider risk very seriously, undertaking regular assessments of our defences in this area and learning from other organisations. We are clear that we have a zero-tolerance approach to insider risk and, where criminal wrongdoing is identified, we take swift action to dismiss and will pursue criminal prosecutions.

In recent years we have been delivering a transformation of our insider threat capability. We have invested to develop our security capabilities and resilience as a critical priority. Our board now has a dedicated Security and Resilience sub-Committee (from April 2026) to ensure that these issues are assured at the highest level in HMRC's governance. We've also stood up a new Insider Risk Management Service and have brought in leading security experts to help us aspire to industry best practice. This sits alongside new digital systems, changes to HR policies and processes, and more robust employment vetting.

We know that our people are our greatest asset in mitigating this risk: we require all new starters to complete fraud learning, and we provide accessible internal guidance on how to report concerns. These training packages are now mandatory for everyone in HMRC, regardless of their role.

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 2025 and HMRC is fully compliant with the Civil Service HR guidance. The declaration of interest form covers the period from 1 April 2025 until 31 March 2026. If circumstances during this period have changed after the form has been submitted a new entry must be completed. As a reminder a declaration of interest can be submitted at any time during the year.

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.

Non-executive directors and members are required to declare any interests which they hold to the Permanent Secretary. They are asked to update this information twice a year. At the beginning of every departmental board and its sub-committees all members are asked to declare any new potential conflicts of interest and agree any mitigating action if needed which can include removing themselves from the discussion. There were no conflict of interest registered during board meetings this year.

SCS outside remuneration as at 31 March 2026, 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-2025-to-march-2026 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.

Appointments made by the commissioners

From April 2025 to March 2026, the Commissioners of Revenue and Customs made the following public appointments to the departmental board and sub-committees:

- April 2025 – Jane McCormick and Caroline Turnbull-Hall were appointed to the Professional Standards Committee, following an open recruitment process
- April 2025 – Paul Aplin was appointed to the Closing the Tax Gap Committee, following an open recruitment process
- July 2025 – John Harding was appointed to the Closing the Tax Gap Committee, following an open recruitment process
- July 2025 – Michael Hearty’s full term on the HMRC departmental board and as chair of its Audit and Risk Committee was extended until July 2026, having originally being appointed in July 2019, to provide continuity on the board
- September 2025 - Bill Dodwell, Sachin Jogia, Sir Craig Mackey and Heather Self were appointed to the HMRC departmental board for 3 years, following an open recruitment process. Bill Dodwell had previously been appointed on an interim basis for 1 year
- September 2025 – Gary Richards was appointed as the General Anti Abuse Regulations (GAAR) panel chair, following an open recruitment process
- January 2026 – Jen Tippin was reappointed to the HMRC departmental board for a further 3 years, having been originally appointed in January 2023
- February 2026 – Marek Fletcher, Michael Stean and David Taylor were reappointed to the GAAR panel for 1 year, having been originally appointed in February 2020
- March 2026 – Jayne-Anne Gadhia was reappointed to the HMRC departmental board for a further 3 years, having been originally appointed in January 2021

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 National Infrastructure and Service Transformation Authority. In the 2025 to 2026 financial year, we received PAC recommendations from the following inquiries that our Accounting Officer provided evidence to.

Table 8: Committee of Public Accounts inquiries, reports and responses

| Inquiry and hearing date | Government response |
|---|---|
| Collecting the right tax from wealthy individuals Hearing: 12 June 2025 – Report published: 16 July 2025 | Published – 22 September 2025 |

We accepted 8 recommendations from NAO value for money reports published after 1 April 2025, and accepted 18 recommendations from the NAO management letter 2024 to 2025, subdivided into 43 sub-components, of which 9 were implemented by 1 April 2026. We also implemented 54 recommendations from the National Infrastructure and Service Transformation 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 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

For the financial year 2025 to 2026, I John-Paul Marks, was 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

I will be signing off VOA's 2025 to 2026 ARA as Principal Accounting Officer, as Jonathan Russell's roles as Chief Executive and Accounting Officer no longer existed when the Agency ceased after 31 March 2026.

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

Our Framework of risk management and control

HMRC's risk and control framework, set out on pages 91 to 93, is designed to support the department in operating safely and effectively in delivering its objectives. As Principal Accounting Officer, I rely on this framework and on appropriate delegations across the organisation to maintain effective governance, risk management, and internal control. This report sets out the principal sources of assurance that I receive, which enable me to conclude on the effectiveness of HMRC's overall risk and control framework.

Delegated accountabilities 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 and operate their activity with an effective risk and control framework. 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 control framework, which ensures that we adhere to financial control standards. 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 National Audit Office (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 Audit and Risk Committee, Internal Audit, Risk and 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, including compliance with HMRC's Customer Charter and progress against HMRC's Transformation Roadmap, 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 117 to 131.

Assurance from other accounting officers

I receive assurance from HMRC's Additional Accounting Officers:

- Jonathan Russell had responsibility for Valuation Office Agency (VOA) administration until 31 March 2026
- 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 provided a separate governance statement, and I took 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.

Approach to risk management

The Executive Committee manages 8 key risks to support delivery of HMRC's core priorities - closing the tax gap, improving operational performance, and modernising the tax and customs system - with the most significant risks relating to Security, Digital & Technology, and Data. For more information on HMRC's key risks see pages 93 to 97. During 2025 to 2026, progress was made through advancing IT improvements and strengthening data and security controls, although substantial risk remains due to the legacy IT estate, driving continued investment in modernisation and migration to more resilient platforms. Effective management of these risks depends on the successful delivery of an ambitious change portfolio, with a sustained focus on mitigating potential delays or disruptions through stronger planning, improved dependency management, and ensuring sufficient technical capability to deliver change.

Assurance on compliance with Government Functional Standards

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, HMRC functional leads are required to complete a self-assessment of how well they were meeting the requirements of their functional standard. Between 2022 to 2026, the third line Internal Audit team conducted a programme of assurance to test our approach to managing Functional Standards. Building on Internal Audit's work, in 2026 to 2027 the Chief Risk Officer will develop a risk-based assurance approach to Functional Standards, focused on key processes in our Core Services and having sufficient assurance over the effectiveness of the key controls.

Assurance on business-critical models

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 104 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 have developed 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/quality-assurance-of-government-models)

Assurance on major contracts and outsourced services

HMRC's commercial teams manage our contracts and outsourced services that support our delivery of our objectives. Appropriate internal controls are in place to ensure that these services are resilient and deliver as intended, with key controls subject to regular assurance work.

IT contracts and strategic IT approach

HMRC manages a diverse portfolio of IT contracts spending approximately £1.5 billion in 2025 to 2026, underpinning the delivery of core services and supporting our digital transformation. Our strategic approach is reflected in substantial investment in cloud technologies, operational resilience, and security, working with a range of leading suppliers to ensure access to specialist expertise and innovative solutions.

A balanced mix of short-term and long-term contracts enables HMRC to maintain operational continuity while driving forward modernisation. Our focus on cloud adoption, robust support services, and enhanced security ensures that our IT estate remains resilient, flexible, and capable of meeting the evolving needs of taxpayers and government.

These investments strengthen HMRC's ability to deliver reliable digital services, improve operational resilience, and achieve better value for the public.

Facilities management and security contracts

In May 2025, following a detailed review and tender process we awarded 2 new facilities management (FM) contracts that bundle soft and hard FM. These contracts are for an initial 5-year term, with extension options, at a combined total value of £304.5 million, excluding VAT. Both contracts mobilised in May 2025.

The new delivery model unlocked savings of £64 million during the initial contract term and establishes a more efficient approach to management and operations.

Physical operational security services across our premises are provided under a single national contract agreement, focused on protecting people, assets and information. The 5-year contract is valued at £101.6 million, excluding VAT. Our relationship with the supplier is well established, underpinned by our Strategic Supplier Relationship Management scores, which rank among the top 3 within HMRC.

These contracts are essential to supporting our operations across regional centres and other locations.

Grants

In 2025 and 2026, HMRC provided grant schemes in accordance with the relevant guidelines, to the Voluntary and Community Sector, and to the National Trading Standards. The Voluntary and Community Sector provide advice and assistance to vulnerable clients on their tax affairs, and the National Trading Standards provide help to seize, at a retail level, the illicit distribution of tobacco.

Resolving historical issues for customers

We are improving customer experience and performance across our core operational responsibilities, while accelerating our transformation. We have made tangible progress in recovering service standards, shifting more customers to digital channels and strengthening the foundations of a modern tax, customs and valuation system. Despite these and other improvements, some customers still face delays and friction and that is not good enough. But with demand and capacity better balanced, stronger technology foundations in place and clearer momentum behind our continued transformation and reform, we are increasingly able to proactively address historical and structural issues in the tax system, in the interests of customers, colleagues and the nation.

Class 2 National Insurance Registration

HMRC is taking action to address a long-standing issue with the registration status of a minority of self-employed customers within the Self Assessment system going back to 2015. The issue, which HMRC publicly acknowledged in 2019, relates to some customers not being correctly registered as self-employed for National Insurance purposes, with consequent impacts on their Class 2 National Insurance contributions. Incorrect Class 2 National Insurance position could result in gaps in a customer's National Insurance record, with potential impacts on their State Pension and pension-related benefits.

To date HMRC had focused on helping customers get it right and a fix has been implemented that ensures all self-employed customers submitting Self Assessment returns from 2024 to 2025 onwards will have the correct Class 2 National Insurance position reflected on their records.

Whilst this has not impacted most customers there is a significant minority (around 800,000 customers) who may have gaps in their National Insurance record linked to this issue and we are now in a position to help customers correct their position and potentially enhance their State Pension entitlement.

Up to 160,000 are estimated to be above or within 2 years of State Pension age. Customers above or within 2 years of State Pension age, will receive a joint letter from HMRC and DWP. This letter will contain instructions on how to fill these gaps voluntarily. Customers who are not within 2 years of State Pension age will have the opportunity to fill these gaps via a digital route, which is being developed and will be ready in 2027.

State Pension taxation

HMRC is taking action to address an issue affecting the State Pension amounts used in some tax calculations, where an incorrect figure has been applied in end-of-year PAYE reconciliations, since 2010 to 2011, and carried through into Self Assessment pre population since 2015 to 2016, and Simple Assessment since 2016 to 2017. This issue results in a difference between the correct State Pension figure for tax purposes and the figure actually used in the calculation. Where an overcharge arises, it reflects the marginal rate of tax on the difference between one week of State Pension at the previous and updated rates.

Due to the volume of data, HMRC's analysis has focused on the period between 2021 to 2022 and 2024 to 2025. At its peak in 2024 to 2025, around 1.4 million PAYE customers paid too much tax, and up to 955,000 Self Assessment customers, and around 760,000 Simple Assessment customers, also had an incorrect State Pension figure used and may have paid too much tax. The average loss in any one tax year since 2021 to 2022 for a basic rate taxpayer is estimated to be £1.76 where they receive the full basic State Pension and £2.30 where they receive the full new State Pension.

HMRC will deliver a solution this summer to correct future tax calculations. As well as preventing this error from recurring, the solution will ensure that the last tax year, 2025 to 2026, is subject to the correct calculations for those in PAYE and Simple Assessment and will enable HMRC to correct the returns for those who have already filed Self Assessment returns for 2025 to 2026.

Control challenges

Control incidents in financial year 2025 to 2026

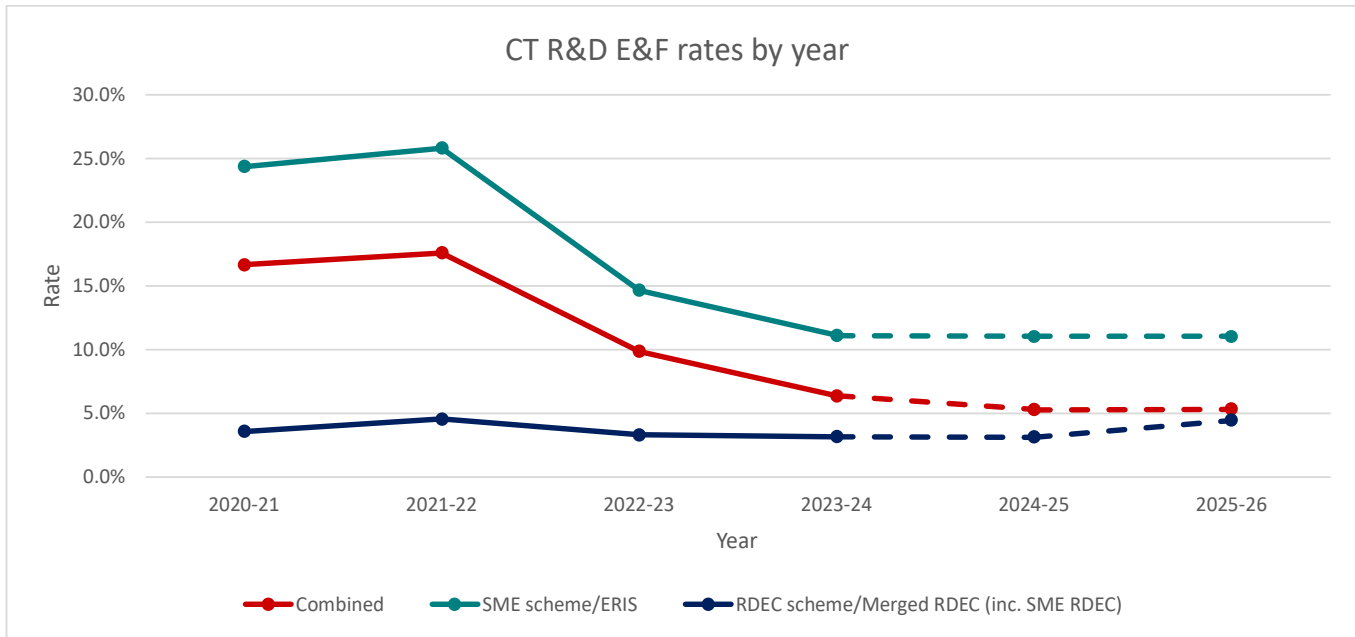
Over the past year, we have actively managed the following issues that posed a risk to delivery of our core work.

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. These estimates are based on updated data from the third Mandatory Random Enquiry Program (MREP3) and a new methodology for Research and Development expenditure credit (RDEC) claims from the Large Business population.

The overall estimate of the level of error and fraud in 2023 to 2024 is 6.4% (£493 million) of the estimated cost of the reliefs. The level of error and fraud in 2023 to 2024 is 11.1% (£347 million) for the SME scheme and 3.2% (£146 million) for the RDEC scheme. The overall rate of error and fraud in total R&D expenditure across the SME and RDEC schemes for 2023 to 2024 is lower than estimates since 2020 to 2021, reflecting legislative and operational changes to tackle error and fraud, notably the mandation of digital claims and additional information requirements introduced in 2023.

Figure 20: Corporation Tax research and development error and fraud rates by year



For illustrative purposes, we have considered the possible error and fraud position for 2024 to 2025 and 2025 to 2026 expenditure to take account of the ongoing impact of legislative changes and operational measures. The legislative changes include new information requirements and the replacement of the old RDEC and SME schemes having been replaced by the merged RDEC and ERIS. New information requirements have enabled HMRC to better identify and target risk and we have significantly increased resource dedicated to compliance activity since 2021 to 2022. We estimate that the policy and operational measures that have been implemented have reduced error and fraud for expenditure in 2024 to 2025 and 2025 to 2026 to overall levels of 5.3% for both years.

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 third year that HMRC’s Resource Account has been qualified due to levels of error and fraud in Child Benefit, and the third year that the estimate has been produced under an improved methodology using monthly samples of Child Benefit data.

The central estimate of the error and fraud overpayment rate is 2.0% (£270 million), which is unchanged from the rate and monetary estimate for 2024 to 2025. The main reasons for error and fraud are broadly consistent with the 2024 to 2025 assessment, such as customers not reporting when 16 to 19 year olds included on their claim drop out of full-time non advanced education and changes to their residency and immigration status.

HMRC continues to have 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 address error and fraud arising from unreported changes, HMRC has quadrupled Child Benefit compliance resources through an additional 180 compliance officers secured for 5 years, through investment announced at Autumn Budget 2024. This supports the recent acquisition of 3 additional data sources:

- 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

HMRC's focus is now on embedding the operational utilisation of this new data, including through several improvements to the customer experience for the identification of unreported changes to customer's residency status. However, it will take time for the interventions to impact the overall level of error and fraud due to the time taken to work compliance cases and our measurement approach. We would expect to see an impact from the 2027 to 2028 Resource Account.

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 9.

Table 9: Summary of protected personal data-related incidents reported to the Information Commissioner's Office

| Nature of incident | Number of breaches 2025-26 | Number of breaches 2024-25 |
|--|-------------------------------|-------------------------------|
| Personal information used to make changes to customer records on HMRC systems without authorisation | 5 | 6 |
| Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises | - | 1 |
| Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises | - | 1 |
| Insecure disposal of inadequately protected electronic equipment, devices or paper documents | - | - |
| Unauthorised disclosure | 6 | 11 |
| Other | 5 | 1 |

We have notified the ICO of 16 instances of personal data breaches affecting individual customers during 2025 to 2026 (2024 to 2025: 20). The number of customers potentially affected by these ICO notifiable incidents is 2,009 (2024 to 2025: 6,503). This figure could still change over time, as new information becomes available because of further enquiries and ongoing security incident investigations. The 'other' incidents referenced above were identified through HMRC's established fraud prevention and detection controls.

The number of personal data breaches reported to the ICO decreased in 2025 to 2026 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 44).

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 2 (2024 to 2025) to 3 in 2025 to 2026. These incidents potentially affected 8,825 customers (2024 to 2025: 3), although this figure may change as further enquiries are completed and security incident investigations continue.

For more information on how we manage our data, please go to pages 44 to 45.

Regularity of expenditure

Our system of internal controls provides me with adequate assurance that there is no material irregular or improper use of funds by the department or material non-compliance in its use of funds. To the date of this statement, apart from the control challenges related to the department's estimates of error and fraud, there have been no instances of material irregularity, impropriety or funding non-compliance discovered during the financial year. This statement is subject to external audit.

Internal audit assurance

Each year HMRC Internal Audit undertake a full programme of assurance work across the organisation to provide an independent view on the management of risk.

Summary of internal audit findings

The Internal Audit Director has provided me as Principal Accounting Officer, and the board, with limited assurance that HMRC has an adequate and effective framework for governance, risk management and internal control.

The opinions for governance and risk management are broadly positive. HMRC has a well-established governance framework, and internal audit works demonstrates ongoing progress in corporate risk management. However, the assessment of internal control highlights ongoing challenges in achieving an effective control framework, some of which are linked to long standing issues for which there are no easy fixes. These issues disproportionately impact the opinion because many of the underlying risks are enterprise-wide and affect the wider control environment across HMRC. Nevertheless, some progress is evident, compliance with functional standards mainly positive, implementation of agreed audit actions generally good and there is a firm leadership commitment to enhancing controls across the organisation. The Internal Audit Director concludes that although improvement is real, it is not yet sufficient to move the organisation out of a limited overall position.

Audit and Risk Committee assurance

The Audit and Risk Committee regularly review the progress HMRC is making in improving its overall risk management framework, taking note of reports from internal audit, from HMRC's Chief Risk Officer and hearing from management directly. The Committee has provided me, as Accounting Officer, with its view of HMRC's arrangements. The Committee is satisfied that, in general, HMRC's risks and controls are being managed properly with shortcomings identified and improvement plans in place.

Conclusion

Based on the review outlined above, I am satisfied that HMRC has robust governance, risk management and internal control arrangements in place that support the department's aims and objectives for 2025 to 2026.

We are clear on the areas we need to focus on to strengthen risk and control. Internal Audit has highlighted challenges and areas that would benefit from improvement, and I have considered their opinion with my Executive leadership team to determine the most effective response. With focused leadership, I am confident we will deliver our planned mitigations and reduce our risk exposure. We have secured the necessary investment through the latest Spending Review to support this work.

Our transformation plans set out how we will modernise and reform tax and customs administration over the Spending Review 2025 period, becoming a digital-first organisation. As we do this, we will make full use of the opportunities it creates to further reduce our risk exposure. Following the refresh of our approach to Risk Reporting, our most critical risks are much more closely aligned to our five strategic objectives and enable ExCom to hold robust conversation on the biggest threats to HMRC delivering its core purpose.



John-Paul Marks
Accounting Officer
1 July 2026

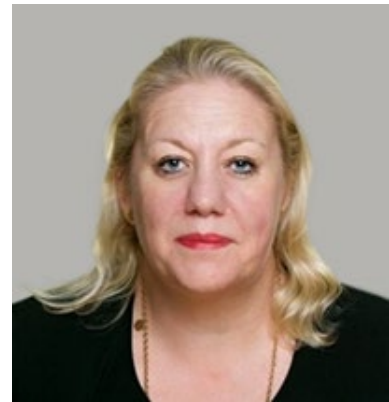
HMRC Charter

Our Charter is central to everything we do. It defines the service standards and behaviours that our customers have a right to expect from us. By applying the Charter in our daily work, we're building a truly customer-centric organisation.

The Customer Service Committee

“As Chair of the Customer Service Committee, I am pleased to again reflect on this year's HMRC Charter performance.

As a committee, we continue to assist and push the organisation to improve its customer experience. This year, we focused on customer service performance and oversight of the transformation plan as key priorities. In this context, we were pleased with the introduction of the Chief Customer Officer role. This role, alongside a more mature end-to-end customer journey approach, is helping to strengthen accountability for customer experience and support more consistent delivery of the Charter. However, the committee encourages HMRC to continue deepening its use of external feedback and insight, particularly at a journey level, to better understand customer needs and target improvements where they will have the greatest impact.



I was also pleased to see HMRC reaffirm its Charter commitment this year. As part of HMRC's commitment, we fully support the introduction of the multi-year delivery plan to embed the HMRC Charter right across HMRC. The HMRC Charter is a powerful tool for maintaining and building customer trust, but a commitment to its delivery, not just awareness, is needed at all levels. The committee believes sustained improvement will depend not only on plans and performance, but on leadership at all levels role-modelling Charter behaviours, using consistent language and bringing the Charter to life through practical examples.

I was pleased the organisation achieved its telephony service standards this year - its best performance position for some time – and improved its correspondence performance over the last year. Being responsive is a key element of the Charter, so HMRC should take confidence from the progress they have made in this area. Ongoing discipline is required to further enhance this level of performance, and I support plans to clear long standing work which generates avoidable customer contact, and to better balance workforce availability against customer demand throughout the day.

Making things easy for customers is also a principal element of the HMRC Charter and we fully endorse HMRC's digital-first ambitions. We have closely monitored HMRC's digital channel performance this year and are pleased to note the increase in digital customer interactions throughout the reporting year. This is a significant step towards achieving the target of at least 90% digital self-serve interactions by 2030. However, HMRC must deliver all its customer service priorities to be recognised as a customer-centric digital-first organisation. It is also important that digital-first aspirations are balanced with adviser support and, through the pursuit of granular feedback from those who are unable to use digital services, HMRC provides suitable alternative means of contact.

The committee has also seen progress against HMRC’s Transformation Roadmap, including the development of a Single Customer View. We will also continue to provide robust challenge and constructive support to HMRC by scrutinising performance, advising on transformation plans, championing customer-centric design and ensuring HMRC delivers a good customer experience, in line with the Charter standards.”

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

The Independent Adjudicator

Mike McMahon is the Independent Adjudicator for HMRC. He provides an independent and impartial review of HMRC complaints that have not been resolved through HMRC’s internal complaints process.

“I have seen a significant step-change this year in HMRC’s approach to customer service. It is clear to me that the department is really gripping the Charter; and that it sees its significant value in helping HMRC become the trusted, customer-centric department it aspires to be. Messages from the very top of the department are clear and consistent and it feels to me that HMRC’s leaders have firmly decided upon its path.

The challenge for HMRC is seeing all of that translate into meaningful change for customers. It must feel different. There are signs that its approach is translating into real change – satisfaction scores are improving and generally service standards (though not in all areas) are better. For example, the time it takes for HMRC’s Interest Review Unit to consider cases has dropped dramatically. HMRC managed the Self Assessment peak in January 2026 better than it has in years, perhaps ever.

But my casework shows that still too many customers find dealing with HMRC challenging when it comes to issues that should be simple.

Two Worlds

Take Marriage Allowance (MA) claims. Currently, if someone who is married or in a civil partnership wants to take advantage of MA – and the Charter talks about making sure customers get the right benefits and other entitlements – the journey might often look like this:

I have to know I can claim in the first place. Is this information that is universally understood? Probably not. But I find out I can claim. I go to GOV.UK and sign in. I fill in the form and wait. I might have got some information wrong – HMRC’s forms can be confusing - so HMRC contact me and I correct it. I wait. HMRC decide it needs to undertake a compliance check. So, I wait. The check is complete and I am told I will receive £x. I wait. The money is sent and received.

We have seen cases where this can be quite a quick process and others where it can take months and end up in complaints.

Another scenario might include the use of an agent to undertake the process for me. With a good agent, the additional step is the significant percentage they will take for the service – up to around 50%. A worse scenario is an agent claiming the money without my knowledge. I might get some money back less the fee or, in the worst-case scenario, I might not get anything because the agent is essentially acting fraudulently.

But is there another way that speaks fully to the Charter and what it stands for?

I have the HMRC app. I am prompted – because HMRC know my income – to ask if I want to claim MA. I say yes in the app. HMRC’s systems can talk to each other so it can check, almost

immediately, if me and my partner have the right profile. The calculation is done immediately and the money is paid.

No agent, no forms and far less compliance activity because HMRC are proactively running the numbers based on information it has. Complaints are significantly less because it's easy. And complaints are expensive.

Without going into detail, it's difficult to see how a simplified approach would not tick the boxes of the main Charter standards we routinely consider; Getting things right, Making things easy, Being responsive, Treating you fairly and Being aware of your personal situation.

Of course, there will be a lot someone like me hasn't thought through, from challenges with legacy systems to GDPR considerations. But with a culture set to embrace the Charter, I believe all are surmountable.

With a tax system grounded in customer needs, underpinned by the Charter, the customer in the second scenario will surely have a very different view of HMRC. So, when it comes to that same customer interacting with HMRC in the future, I am willing to bet they will go into it with trust levels far higher than might normally be the case.

This is the challenge for HMRC and one I believe it can meet. But I do not under-estimate how hard this is; it requires a significant cultural shift; it needs a hand in glove approach with government to ensure simplicity in the system and it needs a digital transformation that allows it to do the things it needs to now and into the future.

I am seeing those issues aligning, with the customer at the centre. But it will take time and determination."

Mike McMahon, Independent Adjudicator & CSC member

The Charter Stakeholder Group

The Charter Stakeholder Group assists the Customer Service Committee (CSC), by evaluating the extent to which HMRC has delivered against the Charter. Membership is made up of representatives from professional payroll and taxation bodies.

As in previous years, the group based this year's assessment on a survey of taxpayers and agents, receiving 719 responses.

Survey findings indicated that HMRC's performance against key charter standards must continue to improve. In particular:

- Getting things right – the group urged HMRC to improve advisor training so they can better support agents and taxpayers with queries and provide consistent advice
- Making things easy – the survey raised concerns about HMRC's continued push towards online services
- Being responsive – HMRC need to focus on delays and case tracking, as well as ensuring a better balance between our response times and deadlines we impose
- Being aware of your personal situation – the survey signalled a need for HMRC to recognise the needs of non-digital and elderly taxpayers and the emotional side of dealing with HMRC

- Treating you fairly, Recognising that someone can represent you, and Keeping your data secure – while performance across these standards remained broadly positive, agents reiterated concerns about limited access to client information and the availability of comparable digital services for agents

Our performance against the Charter: insights and assessment

The HMRC Charter sits at the heart of everything we do. It sets out the standards and behaviours our customers have a right to expect. Applying it consistently in our day-to-day work is central to building a genuinely customer centric organisation.

We draw on a range of customer and stakeholder feedback to improve customer experience. This includes large scale customer surveys (such as HMRC's annual customer surveys), social research, customer feedback on our services (such as phone and digital services) and complaints insight.

These sources provide a consistent and corroborated view of customer experience. They highlight areas where customer experience is improving, as well as ongoing challenges where further action is needed.

In terms of improvements, as set out in the performance section of this report, in 2025 to 2026 we met our telephony service standards. Customer exit survey feedback from telephone calls shows that many customers also found our front-line advisers to be knowledgeable, empathetic and professional.

Digital services continue to grow so customers can pay their taxes more easily online; recent delivery includes improvements to PAYE online services and new digital functionality for Child Benefit customers, including the ability to track claims and confirm education status online.

This year HMRC also made 4,000 updates and improvements to guidance on GOV.UK, helping customers understand what they need to do and how to do it. The 'Tax Confident' education website was launched in March 2026, which provides basic tax information, with a particular focus on tax education for pensioners and new small businesses. Across channels, we have taken steps to improve consistency of service and to use insight more effectively to prioritise changes that matter most to customers.

To reinforce our commitment to deliver for our customers in line with the Charter, this year we launched and began delivering against our Transformation Roadmap. The Charter underpins this work, acting as a key enabler to ensure reform and digital transformation deliver services that are right, easy and fair for customers. Progress against Strategic Objective 2 (SO2) has further supported delivery of the Charter standards, with a focus on improving end-to-end customer journeys, expanding and improving digital services, and providing more targeted support to those who require it.

This year we established the Customer Experience Directorate to support Myrtle Lloyd as Chief Customer Officer. This leadership places customer experience at the heart of delivery across HMRC, in line with the Charter standards. Operational initiatives such as Customer Services Group's Service Excellence Programme and Customer Compliance Group's Compliance Professional Standards have continued to use the Charter as the foundation for delivering good customer service.

Whilst we have made improvements to customer experience, our feedback from customers and stakeholders tell us we have more to do. The annual customer surveys, results of which are published alongside this report, provide rich insight from customer segments for us to act

on in the future. External scrutiny is a critical part of how we assess our delivery of the Charter. This year, feedback from the Customer Service Committee, the Adjudicator and the Charter Stakeholder Group highlight both progress and ongoing challenges.

Conclusion

This year has seen real improvements to customer experience, with stabilised customer service performance and more and improved digital services. With a new Chief Customer Officer driving a customer centric approach we are confident that customer service will continue to improve in line with our charter commitments. We are committed to become a customer centric organisation, where the charter is a part of our DNA. This will take time and we continue to be grateful to all our stakeholders for the valuable feedback and scrutiny they provide.



Tax Assurance Commissioner's report

Foreword

This report sets out HMRC's performance in the 2025 to 2026 reporting year on tax disputes and assurance. As the Tax Assurance Commissioner, my priority is to provide confidence to the public that HMRC applies robust scrutiny, challenge, and oversight to its largest and most complex tax disputes.

To support this, I chair a panel of 3 commissioners responsible for making decisions on our most significant tax cases, as well as reviewing a sample of smaller cases, in line with our Code of Governance. This governance framework ensures that decisions are taken impartially, transparently, and with the full consideration such cases demand.



This year, we continued our work to strengthen the frameworks that underpin HMRC's dispute resolution approach. A key priority has been leading a comprehensive review of the Litigation and Settlement Strategy (LSS). Working collaboratively with internal and external stakeholders, we are focusing on opportunities to simplify and clarify the strategy, so it is easier for both caseworkers and customers to understand and apply. While streamlining its application, we are being careful to preserve the core principles at the heart of the LSS. These principles ensure HMRC acts consistently, resolves disputes at the earliest appropriate point, and secures outcomes in accordance with the law. We are aiming to publish an update in autumn 2026.

We have reviewed the criteria governing access to Alternative Dispute Resolution (ADR) to strengthen the service we provide. As a result, we are introducing greater clarity about the circumstances in which ADR is and is not appropriate. This refinement will widen the scope of ADR and ensure that decisions about ADR are made consistently. Our commitment remains to offer ADR whenever it can meaningfully add value or help progress a case to resolution.

We have made substantial progress in addressing cases that have been open for too long, helping to reduce delays in compliance checks and release capacity for caseworkers. Since April 2025, we have reduced the number of aged cases (defined as over 3 years old) by 38%, demonstrating significant improvement. We have also introduced a range of measures to support managers in strengthening the monitoring and review of aged cases to ensure they continue to progress in a timely and efficient manner.

To help close the tax gap, HMRC is expanding its compliance workforce by recruiting an additional 5,500 new compliance caseworkers by the end of spending review period 2029 to 2030, improving the strength of our compliance operations. As we expand, we remain committed to maintaining quality and have in place the structured learning, oversight and assurance arrangements to ensure we meet the professional standards expected of us. Across our whole workforce we are also investing in building the skills we will need for the longer-term as we continue to transform our services, sustaining tax gap closure and improving customer experience.

I am pleased that colleagues across HMRC have continued to work more openly. HMRC will continue to consider whether publishing information it holds would be in the public interest and whether it would help to close the tax gap. For example, HMRC publishes information about avoidance schemes to educate our customers about how to avoid these schemes or how to

exit from them. We have now published over 220 schemes and named over 110 individuals involved with the promotion of these schemes.

Some key milestones this year include:

- naming the first legal professional under section 86 Finance Act 2022. This publication was supported by a press release
- naming the first employment agency under section 86 Finance Act 2022

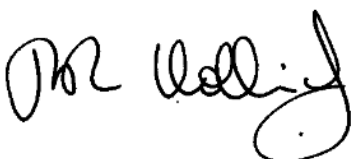
Following the publication of the 'Independent Loan Charge Review 2025', at Budget 2025 the government announced a final 'Settlement Opportunity' for those individuals and employers who have used disguised remuneration tax avoidance arrangements and are affected by the Loan Charge. The Government legislated in Finance Act 2026 to give HMRC the power to administer the new opportunity and HMRC has written to tens of thousands of eligible customers to make them aware.

This year, the National Audit Office (NAO) report on HMRC's approach to taxing large businesses gave a positive recognition of our governance processes for resolving tax disputes. The report acknowledged that since 2012, we have strengthened our processes to reduce the risk of unfair settlements, including clear separation between case teams and those approving settlements in higher value cases. The report found strong adherence to governance requirements, with case teams demonstrating commitment to the LSS.

The findings from the Casework Assurance Review (CAR) programme indicate a slight decline in overall casework compliance performance when compared across the past 3 years. CAR results are distributed via individual Directorate and Customer Compliance Group wide reports, with dedicated standing agenda slots at senior compliance professionalism committee and forum meetings to drive continuous improvement. Where applicable, recommendations and/or management actions will be created and tracked to strengthen improvement delivery. The Tax Settlement Assurance Programme section of the report details findings and counter measures underway to address gaps in performance.

Together, our actions this year reflect our ongoing commitment to maintaining our standards of governance and assurance, focusing on continuous improvement. I remain dedicated to ensuring that HMRC's approach to resolving tax disputes is fair, principled, and trusted, and that the public can continue to have confidence in the decisions we make.

+ Loan charge announcement: www.gov.uk/government/publications/hmrc-issue-briefing-operational-activity-during-the-new-independent-review-of-the-loan-charge/hmrc-operational-activity-during-the-new-independent-review-of-the-loan-charge



Justin Holliday
Tax Assurance Commissioner and Chief Finance Officer

Our approach to tax disputes

HMRC's framework for resolving tax disputes

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.

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.

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. 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 ask 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. 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.

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

How we resolve tax disputes

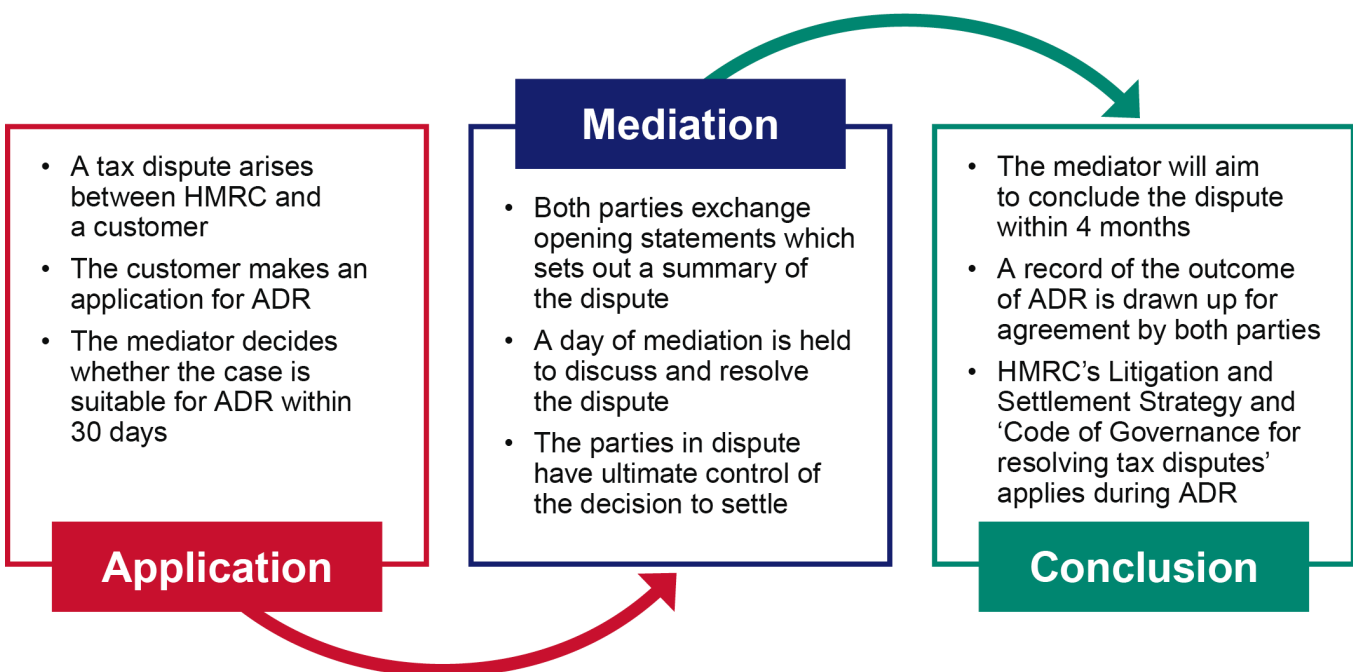
We seek to resolve any dispute as quickly and cost-effectively as possible, in accordance with the law, our LSS and our ‘Code of Governance for resolving tax disputes’. We resolve disputes in a way that secures the best practicable return for the Exchequer and ensure that both the substance of the resolution and the way that resolution is put into effect are in accordance with the law.

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.

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. Even when a case cannot be fully resolved, ADR can be used to progress a case by assisting the parties to overcome an area of disagreement which is inhibiting progress.

Figure 21: 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 excluded from 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 nearly 90% 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 10: Alternative dispute referrals

| | 2025-26 | 2024-25 |
|---|------------------|--------------|
| Total applications for ADR (either side can propose ADR) | 1,563 | 1,653 |
| Cases accepted into ADR | 559 | 663 |
| Cases rejected by governance panels | 434 | 434 |
| Cases rejected as being Out of Scope | 225 | 191 |
| Cases withdrawn by applicant | 220 | 213 |
| Cases awaiting triage decision | 125 | 246 |
| Total | 1,563 | 1,653 |
| Cases closed | 533 ¹ | 521 |
| Of which: cases resolved | 474 ¹ | 462 |
| Percentage of cases resolved | 88.9% | 88.7% |
| Live cases | 291 | 253 |

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

Statutory reviews of automated penalties and default surcharge

Automated penalties occur when a taxpayer fails to meet a deadline, such as those for filing a tax return or payment. HMRC issues information to customers on how they can appeal these if they have a reasonable excuse as to why they were unable to meet their obligations. Coupled with the introduction of penalty reform in previous years, HMRC now allows those customers to appeal through their Online Account. This makes the process easier, and more likely that customers will use the service where they have a reasonable excuse for missing their obligations and allows HMRC to quickly and efficiently remove those penalties.

Table 11: Overview of outcomes of statutory reviews of automated penalties and default surcharge

| Statutory reviews of automated penalties and default surcharge ¹ | 2025-26 | 2024-25 |
|---|---------|---------|
| Dealt with in the year | 74,738 | 69,341 |
| HMRC original decision upheld | 26,371 | 22,786 |
| HMRC decision varied | 178 | 289 |
| HMRC decision cancelled | 48,189 | 46,266 |
| Percentage where original HMRC decision was upheld | 35% | 33% |

¹ In 2025 to 2026, HMRC issued 8,128,750 automated penalties, penalty points and default surcharges (2024 to 2025: 9,070,279).

Statutory reviews of other matters

These reviews concern substantive HMRC decisions rather than automated penalties or surcharges and are typically more complex, requiring detailed analysis of legislation, technical interpretation, and case-specific facts.

Table 12: Overview of outcomes of reviews of other matters

| Statutory reviews of other matters | 2025-26 | 2024-25 |
|--|---------|---------|
| Dealt with in the year | 5,755 | 5,834 |
| HMRC original decision upheld | 3,873 | 4,246 |
| HMRC decision varied | 956 | 900 |
| HMRC decision cancelled | 926 | 688 |
| Percentage where original HMRC decision was upheld | 67% | 73% |

Appeals

Most tax decisions by HMRC carry a right for the customer to appeal against the decision to the First-tier Tribunal (FTT). Where there is no right to appeal to the FTT, or 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. HMRC will seek, wherever possible, to work with the customer to avoid the need for disputes to go to the tribunal or court. Where agreement cannot be reached the tribunal or court can determine the outcome of the dispute. If either the customer or HMRC are dissatisfied with the outcome, then they can seek to appeal it to a higher jurisdiction. The tribunals and courts are independent of both HMRC and the customer.

Table 13: Overview of tax appeals

| | 2025-26 | 2024-25 |
|--|----------|---------|
| New appeals made to the FTT | 4,512 | 9,093 |
| Appeals in progress | 23,500 | 48,500 |
| Of which have been stood over | 17,000 | 41,500 |
| Settled appeals (by formal hearing or by agreement before the hearing) | 29,475 | 7,276 |
| Tax protected | £20.7 bn | £6.4 bn |
| Decided appeals ¹ | 2,989 | 2,082 |
| Success rate for decided appeals ¹ | 91.4% | 92.6% |

¹ These figures do not include the thousands of appeals stayed behind a group of connected lead appeals struck out as explained in the paragraph below.

For appeals that were stood over 17,000 (2024 to 2025: 41,500), this was generally where HMRC and the customer agreed to put the appeal on hold while waiting for a decision in a related lead case being litigated.

The FTT has the power to strike out ('dismiss') either party's entire case or parts of it prior to the appeal proceeding to a full hearing. A strike out, depending on which issues in dispute are struck out, can end an appeal or a set of proceedings. In 2025 to 2026 the Tribunal struck out thousands of appeals stayed behind a group of connected lead appeals. This explains the difference in figures for stood over appeals and settled appeals between 2025 to 2026 and 2024 to 2025.

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 14 below is calculated as the percentage of hearings where the decision is in our favour or substantive elements of our case succeeded.

Table 14: Data relating to decided appeals

| | 2025-26 | | | | | 2024-25 | | | | |
|--|---------------------|----------------|------------|-----------------|---------------|---------------------|----------------|------------|-----------------|---------------|
| | 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 | 2,910 | 51 | 5 | 19 | 4 | 1,997 | 58 | 4 | 19 | 4 |
| Decision for HMRC | 2,584 | 38 | 4 | 16 | 4 | 1,766 | 36 | 4 | 14 | 3 |
| Decision where substantive elements of HMRC's case succeeded | 81 | 4 | - | 1 | - | 99 | 5 | - | - | - |
| Decision for customer | 245 | 9 | 1 | 2 | - | 132 | 17 | - | 5 | 1 |
| HMRC success rate | 92% | 82% | 80% | 89% | 100% | 93% | 71% | 100% | 74% | 75% |

There is a difference between FTT appeals recorded by Ministry of Justice and the statistics reported in tables 13 and 14. These differences relate to the timing of when appeals are counted and whether or not HMRC is a party to the proceedings.

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.

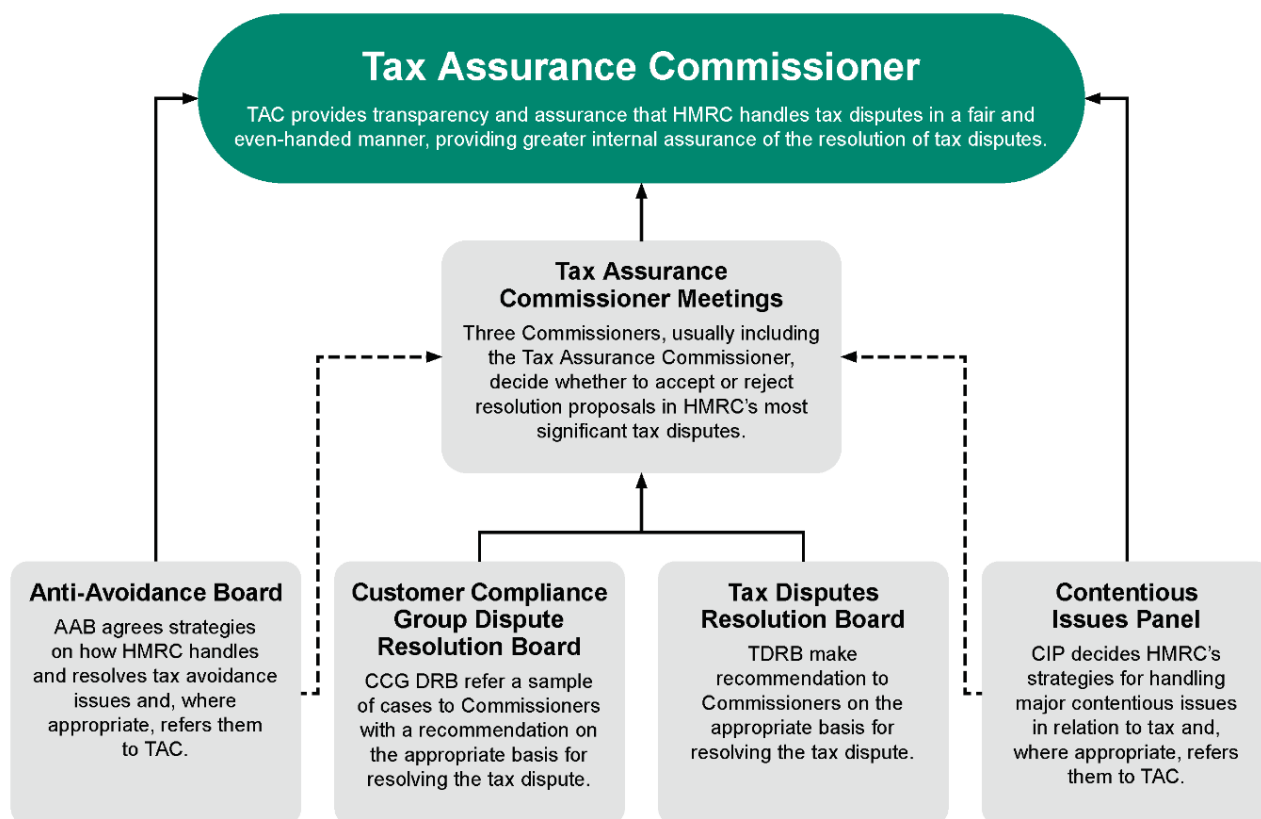
The TAC has no involvement in the management of the tax affairs of specific customers and no line management responsibility for caseworkers, maintaining a clear separation of responsibilities. The TAC chairs a panel of 3 HMRC commissioners who make decisions on the largest and most sensitive cases, as well as a sample of smaller cases. A further sample of cases is also 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-iss

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, advice 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

Figure 22: Summary of TAC oversight dispute resolution governance¹



¹ Dotted lines represent where cases are referred to TAC Meetings on an Ad Hoc basis.

Table 15: HMRC commissioners: outcome of referrals

| | 2025-26 | 2024-25 |
|---|-----------------|---------|
| Total number of meetings held (including via correspondence) | 25 | 15 |
| Total referrals to the commissioners | 64 ¹ | 46 |
| Reason for referrals | | |
| £100m plus tax or £500m adjustment | 45 | 30 |
| Decisions on sensitive case or risk | 2 | 1 |
| Decisions on sample cases | 13 | 11 |
| Penalty only referrals | 2 | 4 |
| Director referral | 2 | - |
| Director re-referral following remittance for further work | 0 | - |
| Outcome of referral² | | |
| Taxpayer's filed position accepted | 9 | 9 |
| Taxpayer's revised proposal accepted | 15 | 12 |
| Taxpayer's position rejected | 33 | 20 |
| Remitted for further work | 5 | 1 |

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

² Outcome of referral does not include penalty only referrals (2 for 2025 to 2026).

Table 16: Tax Dispute Resolution Board: outcome of referrals

| | 2025-26 | 2024-25 |
|--|----------------|-----------|
| Total referrals to TDRB | 53 | 44 |
| Taxpayer's filed position accepted | 7 | 7 |
| Taxpayer's revised proposal accepted | 12 | 10 |
| Taxpayer's position rejected | 27 | 20 |
| Penalty only referral | 0 | 3 |
| Total | 46 | 40 |
| Of which: referred to commissioners | 42 | 36 |
| Remitted for further work | 5 | 3 |
| Guidance provided | 0 | 1 |
| Decision taken by TDRB under its remit | 4 | 4 |
| Penalty only referral | 2 ¹ | 0 |
| Total not referred to commissioners | 11 | 8 |

1 In 2025 to 2026 penalty only referrals went to TDRB only.

Table 17: The Customer Compliance Group Dispute Resolution Board: outcome of the total referrals to the CCG DRB

| | 2025-26 | 2024-25 |
|--|------------------------|------------|
| Total referrals to CCG DRB | 105 | 113 |
| Taxpayer's filed position accepted | 16 | 13 |
| Taxpayer's revised proposal accepted | 15 | 29 |
| Taxpayer's position rejected | 51 | 50 |
| Penalty only referral | 15 | 14 |
| Board remitted for further work before re-referral | 7 | 7 |
| Total | 104¹ | 113 |
| Of which: Sample cases referred to commissioners | 9 | 11 |

1 Case referred onto TDRB for a decision not included in total (2025 to 2026).

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 2025 to 2026:

- the CIP met on 7 occasions and considered 9 issues (5 occasions and 7 issues in 2024 to 2025) involving Personal tax and Business tax
- the AAB met on 9 occasions and considered 11 issues (7 occasions and 10 issues in 2024 to 2025)

2 issues were referred to the commissioners from the CIP (no issues were referred to the commissioners in 2024 to 2025). No issues were referred to the commissioners from the AAB (no issues referred to the commissioners in 2024 to 2025).

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. This year we said farewell to John Whiting who has been the chairperson of the GAAR Advisory Panel since April 2020 and welcomed Gary Richards who formally took over the position from October 2025.

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 2025 to 2026 the panel provided an opinion in 2 cases (3 in financial year 2024 to 2025). 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. Our operational guidance, line manager authorisation checks and specific governance boards for the most complex cases all support decision making on the appropriateness of any penalty we charge. In addition, we use networks of senior tax professionals to support our caseworkers with advice and assurance.

The government consulted last year on options to simplify and strengthen HMRC's behavioural inaccuracy and failure to notify penalties. A summary of the consultation responses was published alongside Budget 2025, announcing the government's intention to develop draft legislation for reform of these penalties.

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 usually involves using our civil powers to assess tax and impose penalties and fines of up to 200% of the tax liable. Where appropriate, we also pursue criminal investigations, seeking prosecutions and confiscations in circumstances where:

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

+ Read HMRC's approach to fraud at: www.gov.uk/government/publications/hmrc-issue-briefing-hmrCs-approach-to-tax-fraud/hmrCs-approach-to-tax-fraud



Tax Settlement Assurance Programme

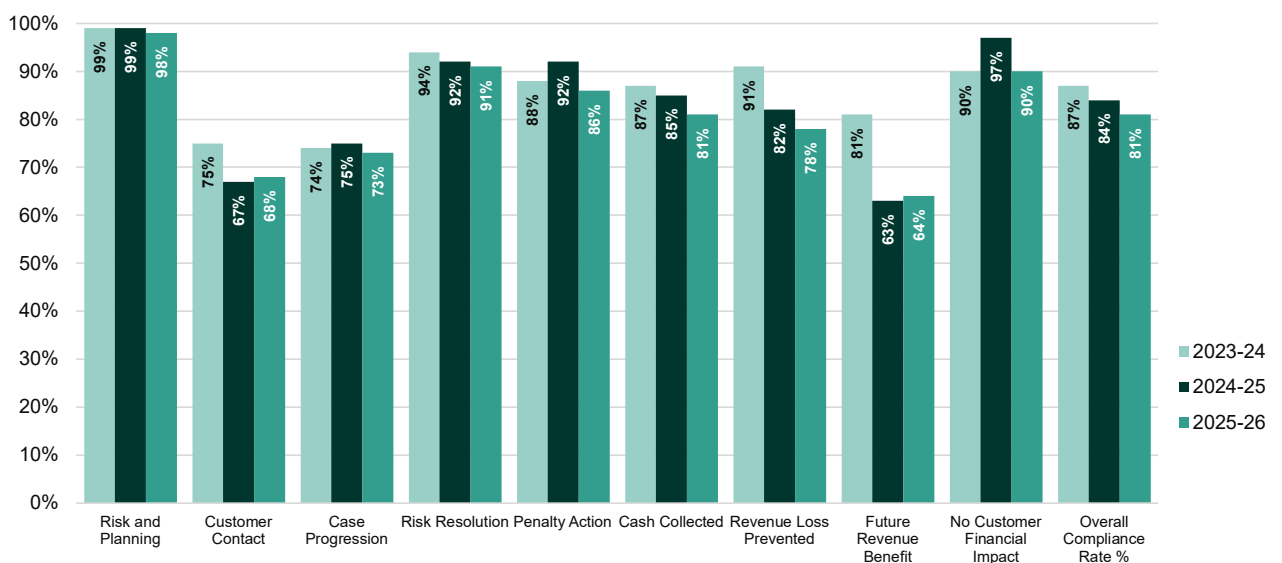
Since 2013, under the Tax Settlement Assurance Programme (TSAP), a specialist team independent of operational casework has reviewed a sample of settled civil compliance cases. The purpose is to assess whether we have met our internal case quality standards and appropriately governed decisions relating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

Since 2021 to 2022, casework has been tested via our Casework Assurance Review (CAR). This expanded testing to incorporate CPS elements not previously included in the TSAP whilst ensuring that governance and reporting metrics, such as yield claiming accuracy were maintained. CAR results identify areas for improvement in our management of tax administration and disputes.

In 2025 to 2026, the CAR 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. The NAO report on HMRC’s approach to taxing large businesses acknowledged that HMRC’s Tax Settlement and Assurance Programme, which provides an independent review of a sample of interventions, indicates a high level of assurance within large business.

We test 9 standards in our case sample, and the chart below presents average results by theme for 2025 to 2026, 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 2024 to 2025, the results show improvement in 2 themes and a decline in 7. Overall, performance declined by 3 percentage points to a compliance rate of 81%. The 3-year comparison indicates an overall performance decline of 6 percentage points for the last 2 years.

Figure 23: Three-year summary of theme scoring for 2023-24 to 2025-26

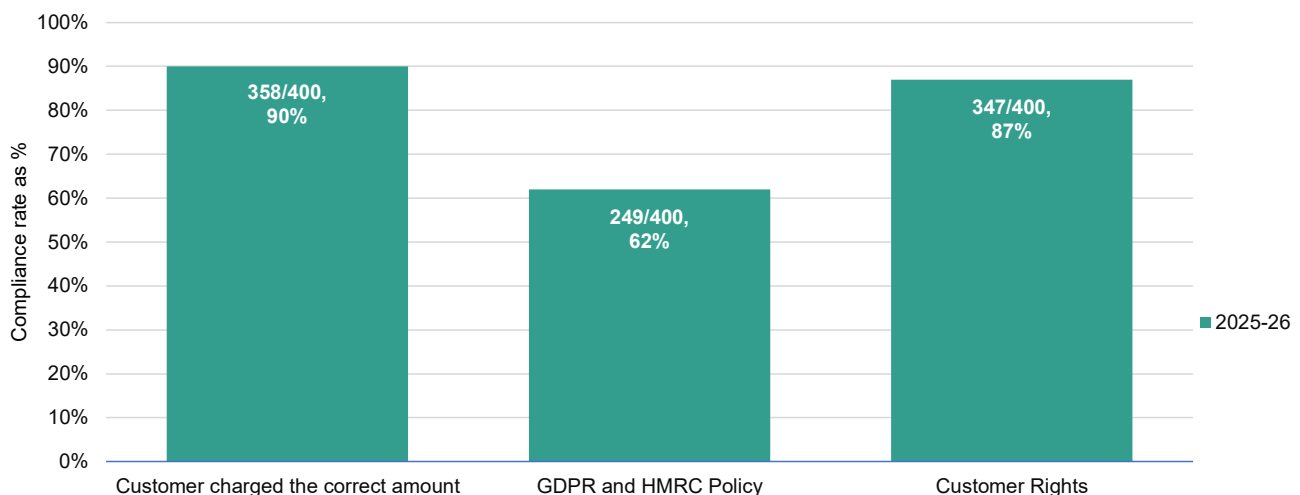


The following summary shows the results at individual case level. These do not equate to the overall percentage compliance rate shown above due to the averaging both within and across the 9 themes:

- Overall, 20.75% (83/400) of the cases reviewed met or exceeded all our required governance and quality standards
- 68.75% (275/400) fell short of HMRC’s internal governance and quality standards, however with no financial impact on the customer
- 10.5% (42/400) fell short of our governance and quality standards with a customer financial impact. Of the 42 cases, 15 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 a decline from 2024 to 2025

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. The chart below represents results for the 3 categories for 2025 to 2026.

Figure 24: Essential Elements of Casework Performance



The Compliance Professional Standards set a clear benchmark for how HMRC compliance activity should be conducted. However, current assurance evidence shows that these standards are not yet being applied consistently across all casework.

Our enhanced focus on the Essential Elements of quality - particularly the protection of customer information, the effective operation of safeguards and the accuracy of financial outcomes - has provided a sharper and more transparent view of performance. This has enabled us to move beyond high-level assurance to identify specific, recurring risks in delivery where the impact on customers falls short of the standards we expect.

In response, we are taking a structured, evidence-led approach to improvement. We have strengthened our quality assurance framework by aligning front-line and independent

assurance around the Essential Elements and embedding these more explicitly within our professionalism assessments. This provides a more consistent and reliable view of performance, enabling earlier identification of risk and more targeted intervention.

Alongside these changes, we are implementing practical measures to support improved performance, including clearer guidance, enhanced learning provision and targeted support for caseworkers and managers. In 2027 to 2028, we will also introduce Secure Digital Exchange Communications (SDEC) to make sharing information and documents easier and safer for customers who wish to communicate with us in this way. These actions are designed to drive more consistent application of the Standards in day-to-day work and to strengthen the quality of outcomes delivered for customers.

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 2025 to 2026, our checks have revealed that 100% (7/7 cases) were referred to the relevant board at the appropriate time.

Table 18: Three-year annual comparison of governance and authorisation

| Year | 2023-24 | 2024-25 | 2025-26 |
|--|--------------------------|---------------------------|----------------------------|
| Settlement authorised at appropriate level | 94% (88 out of 94 cases) | 86% (90 out of 105 cases) | 90% (102 out of 114 cases) |
| Dispute Resolution Board governance followed, where required | 100% (8 out of 8 cases) | 100% (6 out of 6 cases) | 100% (7 out of 7 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 around 70,000 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 SCS 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 2026, we have 584 SCS employees made up of 558 HMRC and 26 VOA SCS employees. The total number of SCS approved posts was 606, made up of 580 HMRC and 26 VOA SCS posts. This figure includes both filled, vacant and job shared posts.

Table 19: HMRC Senior Civil Service (SCS) employee numbers comparison

| | Number at 31 March 2026 | Number at 31 March 2025 | Percentage change |
|---------------------|-------------------------|-------------------------|-------------------|
| Permanent Secretary | 2 | 2 | 0% |
| SCS3 | 10 | 10 | 0% |
| SCS2 | 74 | 69 | 7% |
| SCS1 | 463 | 447 | 4% |
| On loan/ secondment | 9 | 8 | 13% |
| Total | 558 | 536 | 4% |

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 54 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 2025 Practitioner Guidance sets out the Senior Civil Service (SCS) pay framework and award for 2025 to 2026. 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 2025, we implemented the following elements, as set out in the Cabinet Office guidance:

- an across-the-board base pay increase for all SCS of 3.25%
- increase to the minimum salary for all SCS pay ranges: £81,000 (2024 to 2025: £76,000) (SCS1); £100,000 (2024 to 2025: £98,000) (SCS2); and £130,000 (2024 to 2025: £128,000) (SCS3)
- in-year non-consolidated performance bonuses for exceptional performance during 2025 to 2026 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 3.30% of the SCS basic paybill and subject to a pay control limit of £25,000.

182 awards were paid to 'Exceeding/High-Performing' colleagues on 1 April 2025, for the 2024 to 2025 performance year:

- end of year non-consolidated performance awards of £9,000/£5,700 (SCS1 Exceeding/High Performing), £10,500/£6,000 (SCS2 Exceeding/High Performing), and £12,500/£6,250 (SCS3 Exceeding/High-Performing)
- in-year awards ranging from £250 to £4,250 have been paid to 350 SCS members based on performance from April 2025 to the end of March 2026
- awards that are above and beyond the control limit of £25,000 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 contracts

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 2025 to 2026.

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

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 2025 to 31 March 2026:

Table 20: 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) | 52 | 11 | - |
| Number of exits where Business Appointment Rules (BAR) applications were submitted | 7 | 5 | 72 |
| Number of BAR applications approved | 7 | 5 | 72 |
| Number of BAR applications where conditions were set | 7 | 5 | 11 |
| 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

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 84 and 85 to 86.

Table 21: 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) | |
|------------------------------|--------------------------------------|----------------------|-----------------------|---------|--|---------|--|------------------|--------------|----------------------|
| | 2025-26 | 2024-25 | 2025-26 | 2024-25 | 2025-26 | 2024-25 | 2025-26 | 2024-25 | 2025-26 | 2024-25 |
| John-Paul Marks ² | 195-200 (195-200) | - | - | - | - | - | 81 | - | 275-280 | - |
| Angela MacDonald | 180-185 | 175-180 | - | - | - | - | 69 | 67 | 245-250 | 240-245 |
| Alan Evans | 160-165 | 155-160 | 5-10 | 10-15 | 100 | 100 | 20 | 125 ³ | 190-195 | 295-300 |
| Andrew Pemberton | 150-155 | 145-150 | 0-5 | 5-10 | - | - | 58 | 57 | 210-215 | 210-215 |
| Carol Bristow | 150-155 | 145-150 | 0-5 | - | 200 | 100 | 68 | 100 | 220-225 | 245-250 |
| Daljit Rehal | 210-215 | 215-220 | 60-65 | 60-65 | - | - | 80 | 80 | 355-360 | 360-365 |
| Helen Pickles | 160-165 | 30-35 (150-155) | 5-10 | - | - | - | 218 | 45 | 380-385 | 75-80 |
| James Mitton | 150-155 | 120-125 (140-145) | - | - | - | - | 59 | 47 ³ | 210-215 | 165-170 ⁴ |
| Jonathan Athow | 150-155 | 145-150 | 0-5 | 15-20 | - | 100 | - | - | 155-160 | 160-165 |
| Jonathan Russell | 150-155 | 145-150 | - | 10-15 | - | - | 59 | 62 ³ | 210-215 | 220-225 ⁴ |
| Justin Holliday | 190-195 | 185-190 | 0-5 | 0-5 | 200 | 100 | 37 | 156 | 230-235 | 345-350 |
| Lucy Pink | 125-130 | 110-115 | 10-15 | 5-10 | - | 100 | 73 | 64 | 205-210 | 185-190 |
| Myrtle Lloyd | 150-155 | 145-150 | 0-5 | 10-15 | - | - | 63 | 108 | 215-220 | 265-270 |
| Penny Ciniewicz | 160-165 | 155-160 | 5-10 | 0-5 | 400 | 100 | 63 | 30 ⁷ | 230-235 | 190-195 ⁴ |
| Suzanne Newton | 150-155 | 145-150 | 0-5 | - | 400 | 200 | 58 | 93 | 210-215 | 235-240 |
| Jim Harra ⁵ | 0-5 (200-205) | 205-210 | - | - | - | 100 | 1 | 77 ³ | 0-5 | 280-285 ⁴ |

¹ This section has been subject to external audit.

² Joined the department 6 April 2025.

³ Figure restated where the Civil Service Pension Scheme have made an update to the data.

⁴ Total restated to reflect update made to the pension benefit figure.

⁵ Left the department April 2025.

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 2026 | 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 2026 | as at 31 March 2025 | Real increase | |
| [alpha] | 75-80 | 2.5-5 | 1,292 | 1,171 | 47 | - |
| alpha | 60-65 | 2.5-5 | 1,024 | 927 | 49 | - |
| alpha | 100-105 | 0-2.5 | 2,125 | 2,035 ⁶ | 2 | - |
| alpha | 15-20 | 2.5-5 | 241 | 183 | 40 | - |
| alpha | 85-90 | 2.5-5 | 1,807 | 1,653 | 55 | - |
| alpha | 25-30 | 2.5-5 | 491 | 396 | 64 | - |
| alpha | 65-70 | 10-12.5 | 1,265 | 1,011 | 190 | - |
| alpha | 50-55 | 2.5-5 | 747 | 677 ⁶ | 38 | - |
| partnership pension scheme | - | - | - | - | - | 22,600 |
| alpha | 5-10 | 2.5-5 | 145 | 81 ⁶ | 49 | - |
| alpha | 105-110 | 2.5-5 | 2,210 | 2,072 | 13 | - |
| alpha | 40-45 Plus lump sum of 90-95 | 2.5-5 Plus lump sum of 2.5-5 | 780 | 686 | 50 | - |
| alpha | 60-65 | 2.5-5 | 1,232 | 1,117 | 46 | - |
| alpha ⁷ | 5-10 | 2.5-5 | 95 | 31 ⁷ | 51 | - |
| alpha | 70-75 | 2.5-5 | 1,348 | 1,234 | 38 | - |
| alpha | 20-25 | 0-2.5 | 397 | 397 ⁶ | 1 | - |

6 Figure restated where the Civil Service Pension Scheme have made an update to the data.

7 Figure not previously supplied by the Civil Service Pension Scheme provider.

Explanatory notes for tables 21 and 22

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 Capita on behalf of HMRC in accordance with their interpretation of the FREM. The values supplied by Capita 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 21 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.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

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 83 and 85 to 86.

Table 22: Non-executive directors' single total figure of remuneration¹

| | Fees (full year equivalent) (£000) | | Benefits in kind (to the nearest £100) | | Total (£000) | |
|-------------------------------------|--|---------------|---|---------|-----------------|---------|
| | 2025-26 | 2024-25 | 2025-26 | 2024-25 | 2025-26 | 2024-25 |
| Dame Jayne-Anne Gadhia | 25-30 | 25-30 | – | – | 25-30 | 25-30 |
| Patricia Gallan² | 5-10 (20-25) | 20-25 | – | – | 5-10 | 20-25 |
| Michael Hearty | 25-30 | 25-30 | – | – | 25-30 | 25-30 |
| Paul Morton² | 5-10 (15-20) | 15-20 | – | – | 5-10 | 15-20 |
| Jennifer Tippin | 35-40 ³ | 20-25 | – | – | 35-40 | 20-25 |
| Mike Bracken⁴ | 0-5 (20-25) | 10-15 (20-25) | – | – | 0-5 | 10-15 |
| Bill Dodwell | 20-25 | 10-15 (20-25) | – | – | 20-25 | 10-15 |
| Andre Katz | 15-20 | 5-10 (15-20) | – | – | 15-20 | 5-10 |
| Charlotte Moar | 15-20 | 5-10 (15-20) | – | – | 15-20 | 5-10 |
| Heather Self⁵ | 10-15 (20-25) | – | – | – | 10-15 | – |
| Sachin Jogia⁵ | 10-15 (15-20) | – | – | – | 10-15 | – |
| Sir Craig Mackey⁵ | 10-15 (15-20) | – | – | – | 10-15 | – |

¹ This section has been subject to external audit.

² Left the department July 2025.

³ Undertook additional work to support and advise HMRC officials on a range of activities and received an additional fee of £16,500 for this work.

⁴ Left the department April 2025.

⁵ Joined the department September 2025.

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 2025 to 2026 was £275,001 - £280,000 (2024 to 2025, £280,000 - £285,000) (table 21 on page 136). This was 7.36 times (2024 to 2025, 7.77) the median remuneration of the workforce, which was £37,682 (2024 to 2025, £36,345).

In 2024 to 2025 and 2025 to 2026 no employees received remuneration in excess of the highest paid director. Remuneration ranged from £27,774 to £280,000 (2024 to 2025 £25,730 to £285,000).

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.

In 2025 to 2026 most employees received average base pay awards of approximately 3.25%, with an additional 0.5% targeted at specific workforce issues, in accordance with the Civil Service Pay guidance 2025 for delegated grades and the Senior Civil Service pay guidance 2025.

Table 23a: Pay ratio

| | 2025-26 | 2024-25 |
|---------------------------------------|---------|---------|
| 25 th percentile pay ratio | 9.01 | 9.58 |
| Median pay ratio | 7.36 | 7.77 |
| 75 th percentile pay ratio | 6.00 | 6.17 |

Table 23b: Total pay and benefits and salary component for the employees at the 25th percentile, median and 75th percentile

| | 2025-26 | 2024-25 |
|--|----------------|----------------|
| 25th percentile pay – Total pay and benefits | £30,805 | £29,475 |
| 25 th percentile pay – Salary components | £30,679 | £29,475 |
| Median pay – Total pay and benefits | £37,682 | £36,345 |
| Median pay – Salary component | £37,682 | £36,320 |
| 75th percentile pay – Total pay and benefits | £46,229 | £45,759 |
| 75 th percentile pay – Salary component | £46,229 | £45,759 |

¹ This section has been subject to external audit.

The change in the pay ratio is driven by movements in both median and senior remuneration across the organisation. Median remuneration has increased as a result of the 2025 pay award and at the same time, remuneration for the highest-paid director has reduced slightly, leading to a narrowing of the overall pay ratio.

Table 23c: Annual percentage change in remuneration of directors and employees from prior year

| 2024-25 to 2025-26 | Salary and allowances | Performance pay and bonus payable | Total remuneration |
|-----------------------|-----------------------|-----------------------------------|--------------------|
| Highest paid director | -2.3% | 0.0% | -1.8% |
| Employees | 3.1% | 0.9% | 3.1% |

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 2024 to 2025 and 2025 to 2026.

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 70,456 full-time equivalent (FTE) employees at the end of financial year 2025 to 2026. This included 66,416 in HMRC and 4,040 in VOA. These figures exclude contingent labour, which was 2,379 for HMRC and 270 for VOA as of 31 March 2026.

Staffing figures for VOA within this report are consistent with the approach adopted by HMRC. However, VOA has adopted a marginally different approach for staffing figures within the VOA 2025 to 2026 Annual Report and Accounts.

Recruitment

This year we recruited 9,769 FTE 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 9,149 in HMRC, and 620 in VOA. We recruited 1,479 FTE from other government departments. This included 1,414 in HMRC and 65 in VOA.

Leavers and exits

In 2025 to 2026, 5,286 full-time equivalent employees either left HMRC's departmental group, transferred to other government departments, or retired. This included 5,015 (8.1% of staff) in HMRC and 271 (6.7% of staff) in VOA.

Average number of full-time equivalent persons employed

The table below shows the average number of FTE for 2025 to 2026.

Table 24: Average number of full-time equivalent persons employed¹

| | Permanently employed staff – Operational | Permanently employed staff – Capital ² | Others – Operational | Others – Capital ² | 2025-26 Total | 2024-25 Total |
|--------------------------------------|--|---|----------------------|-------------------------------|---------------|---------------|
| Core department | 61,938 | 738 | 1,318 | - | 63,995 | 61,138 |
| Valuation Office Agency ³ | 3,570 | - | 321 | - | 3,891 | 3,730 |
| Departmental group total | 65,508 | 738 | 1,639 | - | 67,886 | 64,868 |

1 This section has been subject to external audit.

2 Capital relates to staff building capital assets.

3 The basis for calculating the average FTE for VOA within this report is consistent with the approach adopted by HMRC. However, VOA has adopted a marginally different approach for the average FTE calculation within the VOA 2025 to 2026 Annual Report and Accounts.

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 25: 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 | 2025-26 £m | 2024-25 £m |
|---|----------------------------|-------------|----------------|----------------|
| Wages and salaries | 2,762.9 | 58.5 | 2,821.4 | 2,520.8 |
| Social security costs ² | 375.2 | 5.0 | 380.2 | 283.7 |
| Other pension costs | 767.8 | 11.9 | 779.7 | 721.7 |
| Sub Total | 3,905.9 | 75.4 | 3,981.3 | 3,526.2 |
| Less recoveries in respect of outward secondments | (3.3) | - | (3.3) | (3.5) |
| Total net costs | 3,902.6 | 75.4 | 3,978.0 | 3,522.7 |
| Recoveries in respect of outward secondments | | | 3.3 | 3.5 |
| Less net costs charged to capital budgets | | | (62.0) | (62.5) |
| Travel, subsistence and hospitality | | | 46.2 | 44.7 |
| Recruitment and training | | | 36.1 | 26.9 |
| Early severance schemes | | | 2.9 | (0.1) |
| Staff and related costs in Consolidated Statement of Comprehensive Net Expenditure | | | 4,004.5 | 3,535.2 |

1 This section has been subject to external audit.

2 Social security costs include the Apprenticeship Levy which is £14.1 million for 2025 to 2026 (2024 to 2025: £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 Civil Service schemes, including the Principal Civil Service Pension Scheme (PCSPS) and “alpha”, Civil Servant and Other Pension Scheme (CSOPS) - both unfunded multi-employer defined benefit schemes. Our share of these funds’ assets and liabilities is not identifiable. The PCSPS was last valued by the scheme actuary on 31 March 2020 (see Cabinet Office resource accounts for details).

+ Read more on Civil Service pension arrangements at www.civilservicepensionscheme.org.uk

For 2025 to 2026, employers’ contributions of £773.9 million will be paid to the PCSPS (2024 to 2025: £716.2 million). Since all active members switched to alpha from 1 April 2022, the salary-based structure was replaced with a flat rate employer contribution rate of 28.97%.

Accrued pensions affected by the Public Service Pension Remedy are based on legacy scheme membership between 1 April 2015 and 31 March 2022, following the McCloud judgment. This remedy covers those who were public service scheme members on 31 March 2012 and between 1 April 2015 and 31 March 2022. Members can choose, upon retirement, to receive benefits under either the legacy or the alpha scheme for this period.

The scheme actuary reviews employer contribution rates every 4 years after full valuations (excluding 2020 due to the Public Service Pension Scheme consultations). Contribution rates fund future benefit accruals, not current pension payments. Pensions under classic, premium, classic plus, nuvos and alpha are annually increased as per legislation.

Partnership Pensions

Employees can open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer contributions of £5.5 million (£5.1 million in 2024 to 2025) were paid to one or more of the 3 appointed stakeholder pension providers. The size of the employer contribution depends on 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. Additionally, employer contributions of £0.2 million (2024 to 2025: £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. Contributions due to the partnership pension provider at the reporting date were nil. In 2025 to 2026, 90 employees (44 in 2024 to 2025) retired early on ill-health grounds, resulting in additional accrued pension liabilities of £0.6 million (2024 to 2025: £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 2025 to 2026 were £0.5 million (2024 to 2025: £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 132.

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 26: Exit packages 2025-26

| Exit package cost band | Number of compulsory redundancies 2025-26 | Number of compulsory redundancies 2024-25 | Number of other departures agreed 2025-26 | Number of other departures agreed 2024-25 | Total number of exit packages by cost band 2025-26 | Total number of exit packages by cost band 2024-25 |
|--|---|---|---|---|--|--|
| <£10,000 | - | - | 5 | 3 | 5 | 3 |
| £10,000 - £25,000 | - | - | 1 | 3 | 1 | 3 |
| £25,000 - £50,000 | - | - | 3 | 3 | 3 | 3 |
| £50,000 - £100,000 | - | - | 6 | - | 6 | - |
| £100,000 - £150,000 | - | - | - | - | - | - |
| £150,000 – £200,000 | - | - | 1 | 1 | 1 | 1 |
| Total number of exit packages by type | - | - | 16 | 10 | 16 | 10 |
| Of which: | | | | | | |
| Core department and agency | - | - | 16 | 10 | 16 | 10 |
| Total resource cost (£000s) | - | - | 765 | 287 | 765 | 287 |

¹ These disclosures have been subject to external audit.

People off-payroll

HMRC has reviewed all relevant off-payroll engagements during the financial year 2025 to 2026. 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 2025 to 2026, including those from the Valuation Office Agency (VOA).

Table 27: Temporary off-payroll worker engagements as of 31 March 2026, earning £245 a day or greater¹

| | HMRC | VOA |
|---|------|-----|
| Number of existing engagements as of 31 March 2026 | 205 | 2 |
| Of which: | | |
| Number that have existed for less than 1 year at time of reporting | 142 | 1 |
| Number that have existed for between 1 and 2 years at time of reporting | 54 | 1 |
| Number that have existed for between 2 and 3 years at time of reporting | 7 | - |
| Number that have existed for between 3 and 4 years at time of reporting | 2 | - |
| Number that have existed for 4 or more years at time of reporting | - | - |

Table 28: All temporary off-payroll workers engaged at any point during the year ended 31 March 2026, earning £245 per day or greater¹

| | HMRC | VOA |
|---|------|-----|
| Number of off-payroll workers engaged during the year ended 31 March 2026 | 404 | 6 |
| Of which: | | |
| Not subject to off-payroll legislation | 384 | 6 |
| Subject to off-payroll legislation and determined as in-scope of IR35 | 20 | - |
| 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 | 386 | - |
| Of which: Number of engagements that saw a change to IR35 status following review | - | - |

¹ Including engagements through umbrella companies.

Table 29: Board members and/or senior officials with significant financial responsibility, between 1 April 2025 and 31 March 2026

| | 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 | 96 | 6 |

Consultancy and temporary employees

We engage agency workers to support our operational work where there is a peak of demand, 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 a complex issue requires an independent, expert opinion.

HMRC robustly controls expenditure on consultancy via Government Commercial Spend Controls as mandated by Cabinet Office Governance Procedures, which has decreased from £0.2 million (excluding VOA) in financial year 2024 to 2025 to £0.0 million (including VOA) in financial year 2025 to 2026. The department continues to follow Cabinet Office guidelines to reduce the use of consultancy across central government.

+ Read more on Consultancy and professional services spend controls at www.gov.uk/guidance/consultancy-spend-controls

Table 30: Consultancy and contingent labour expenditure in accordance with HM Treasury definitions (£m)

| | Consultancy 2025-26 | Contingent labour 2025-26 | Consultancy 2024-25 | Contingent labour 2024-25 |
|------|------------------------|------------------------------|------------------------|------------------------------|
| HMRC | 0.0 | 119.3 | 0.2 | 133.1 |
| VOA | 0.0 | 9.4 | 0.0 | 2.5 |

How we manage health and safety

Recognising that colleague wellbeing also depends on having effective health and safety (H&S) arrangements in place, we continued providing access to practical learning, specialist support and advice. This year, we worked with our stakeholders to refresh our Health and Safety Policy Statement, endorsed by the Chief Executive.

We used insight from our central incident reporting and learning systems to keep managers, colleagues and trade union safety representatives informed with real-time H&S performance data. We introduced and embedded an Awareness Tool to provide structured support for managers in developing their Team Health and Safety Risk Assessments.

This year we continued to develop ways to protect our colleagues from abusive customers, including undertaking research to better prevent and reduce future abusive interactions.

Our modern estate continues to provide award winning workplaces. We update Occupied Building Risk Assessments annually to ensure buildings remain safe, including effective management of fire safety risks. Assurance activities provide management oversight of all safety processes across our estate, and lessons learned have reinforced the importance of regular H&S inspections in keeping our workplaces safe and secure. This work is underpinned by our cross-functional Health & Safety Committee, made up of property and qualified H&S experts who oversee and monitor our key responsibilities and legal obligations.

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 2025 to 2026 we reported 12 incidents to HSE (compared to 15 in 2024 to 2025). The number of non-RIDDOR incidents reported decreased to 1,703 (compared to 1,732 last year).

We negotiated a new contract to provide colleagues with the offer of a free eyesight test (and spectacles, where solely required for use with display screen equipment), ensuring access to a UK-wide network of opticians for colleagues, and HMRC's continued compliance with statutory obligations.

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 2025 to 2026 we strengthened our approach to colleague health and wellbeing by:

- launching a new Wellbeing Strategy to embed positive wellbeing across HMRC, by improving access to support, strengthening line manager capability, and integrating wellbeing into business and change activity
- enhancing our Employee Assistance Programme offer through the introduction of a digital health and wellbeing assessment tool and app, enabling quicker access to tailored mental and physical health support
- delivering a programme of national health and wellbeing campaigns, including Active Wellbeing and Mental Health Awareness initiatives, to promote awareness and uptake of available support

- delivering a targeted winter flu vaccination programme to support workforce resilience during the seasonal flu period
- refreshing health and wellbeing guidance to improve accessibility and consistency of information for colleagues
- refreshing the Wellbeing Matters Intranet Hub following external research into best practice, making it easier for colleagues to access the right support at the right time by aligning content to the colleague lifecycle and presenting the HMRC wellbeing offer through 'moments that matter'
- completing a procurement exercise for a new Occupational Health contract to ensure HMRC remains commercially compliant and continues to secure value for money while maintaining high-quality support for colleagues

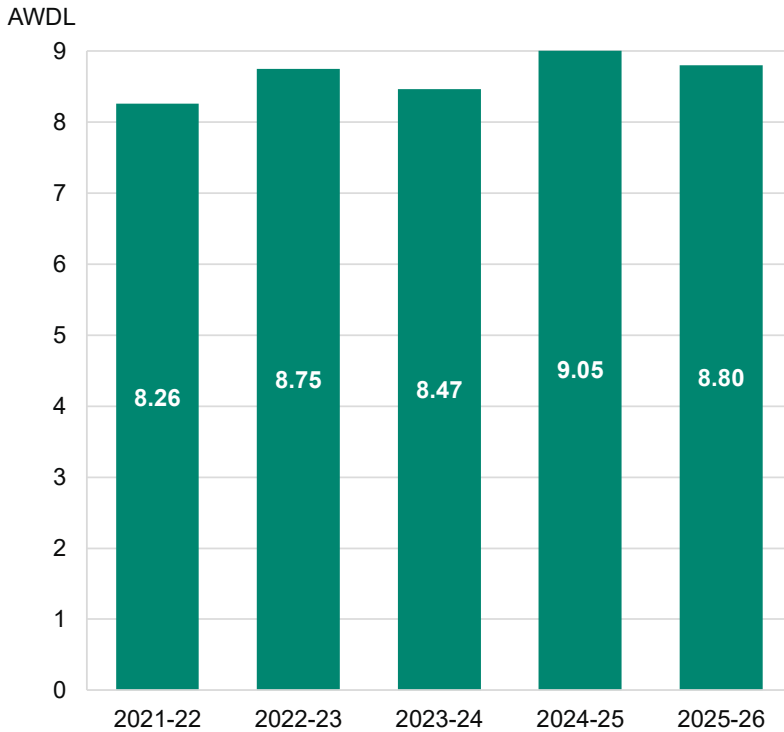
Building on last year's work to improve Workplace Adjustment policies and processes, we have broadened our approach to improve the overall workplace experience for disabled colleagues. Insight and data helped us identify the barriers affecting their experience. Work is now underway to further improve workplace adjustment processes, equip managers to better support and identify needs, and ensure our processes from recruitment through to onboarding attracts and retains talent from disabled applicants and colleagues.



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 employees. In line with the general working age population, we have a prevalence of mental health and stress as our top 2 absence reasons, accounting 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 25: Sick absence data



Employee engagement

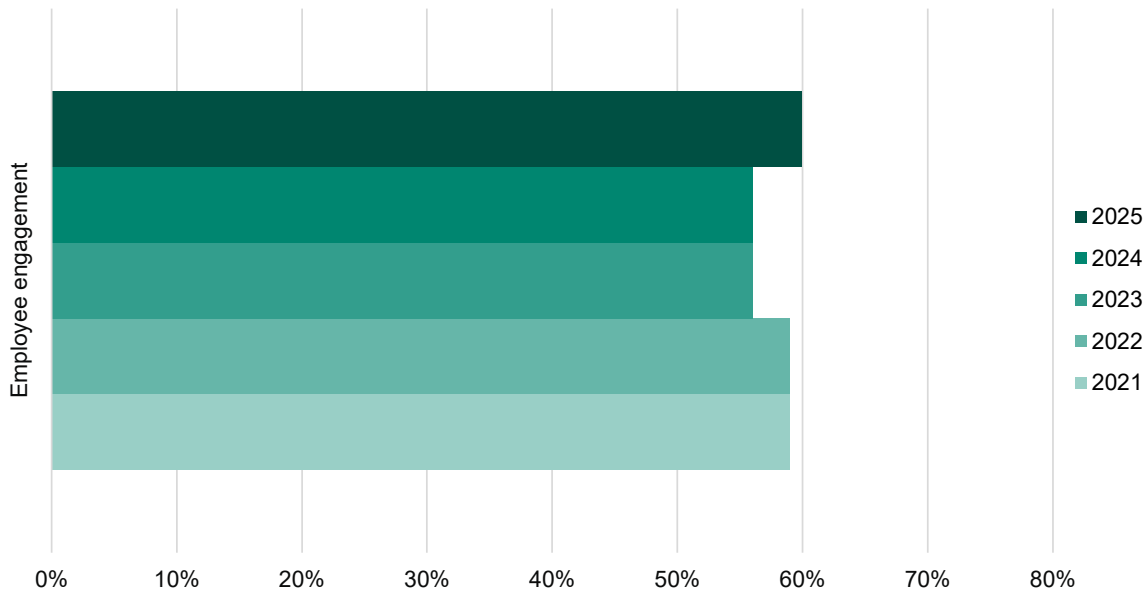
We increased our Employee Engagement Index in 2025 to 2026 by 3 percentage points to 60% reversing a 5-year downward trend. This improvement reflects our continued investment in colleagues, helping them deliver better outcomes for our customers, and our commitment to listening and acting on feedback. We improved communication about the benefits available and ran organisation wide sessions to help colleagues understand how their work supports HMRC’s purpose. These steps contributed to higher engagement across every business group and grade.

All five of the core employee engagement questions improved for HMRC this year. The strongest increase was in colleagues saying they would “recommend HMRC as a great place to work”, which rose by 8 percentage points. Colleagues also reported higher levels of being inspired “to do the best in my job” and motivated “to help achieve HMRC’s objectives”, both increasing by 6 percentage points.

Eight of the nine Core Themes improved compared to 2024¹. The exception was My Team, which saw a small decrease of one percentage point. Satisfaction with pay and benefits increased markedly (up 8 percentage points), and more colleagues reported they were fully aware of the benefits available to them (up 3 percentage points).

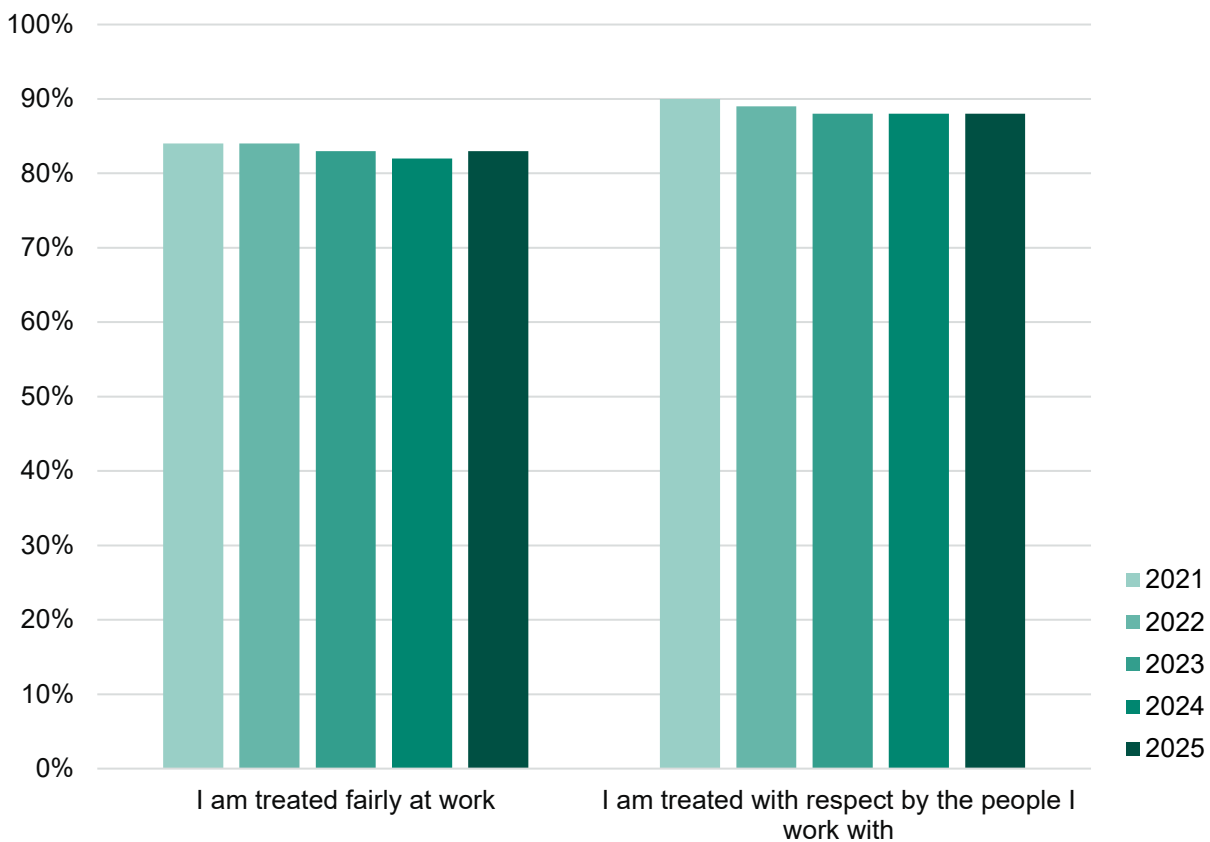
We remain committed to fostering an inclusive and respectful workplace. Perceptions of inclusion and fair treatment increased by 2 percentage points overall. This includes 83% of colleagues saying they are treated fairly at work (a one percentage point increase) and 68% feeling valued for the work they do (a 3 percentage point increase). Perceptions of being treated with respect by colleagues remain consistently strong at 88%.

Figure 26: Employee engagement index



¹ Following extensive stakeholder consultation the 2025 survey was streamlined, removing 73 questions and simplifying others. The Core Theme scores for 2024 have therefore been recalibrated to ensure valid like-for-like comparison with 2025.

Figure 27: Fairness and respect scores



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/publications/hmrc-compliance-with-the-public-sector-equality-duties-2025-to-2026

Table 31: Workforce diversity characteristics

| Characteristic | Grade | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---------------------------------|-----------|---------|---------|---------|---------|---------|
| Ethnic Minority ¹ | All Staff | 17% | 18% | 19% | 21% | 23% |
| | SCS | 11% | 10% | 10% | 11% | 11% |
| Disability | All Staff | 13% | 14% | 14% | 14% | 14% |
| | SCS | 6% | 7% | 8% | 7% | 7% |
| Woman | All Staff | 52% | 52% | 52% | 52% | 52% |
| | SCS | 47% | 47% | 46% | 44% | 42% |
| Sexual Orientation ² | All Staff | 6% | 7% | 7% | 5% | 7% |
| | SCS | 7% | 8% | 7% | 6% | 8% |

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:

- updated the Whistleblowing Policy to better align with our standards for people content and make it easier for colleagues to use
- introduced regular After-Action Reviews of how whistleblowing cases are handled, with a clear feedback loop into the business to drive improvements based on lessons learned
- continued to promote the role of nominated officers, who provide advice and support to colleagues raising whistleblowing concerns
- introduced a single senior whistleblowing champion to provide visible oversight and accountability for whistleblowing arrangements

Whistleblowing case numbers decreased in 2025 to 2026.

Table 32: Whistleblowing cases

| Financial year | 2025-26 | 2024-25 |
|--------------------------------------|-----------------|---------|
| Total cases | 75 | 98 |
| Number categorised as whistleblowing | 18 ¹ | 22 |

¹ As reported cases are still being processed this figure may increase.



John-Paul Marks

Accounting Officer

1 July 2026

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 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 contains 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 (SOPS 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 (SOPS 2); correlation between budgetary outturn and that presented in the CSoCNE (SOPS 2.1); a reconciliation of outturn to net cash requirement (SOPS 3); and, an analysis of income payable to the Consolidated Fund (SOPS 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 61, 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 Our performance section of the Annual Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

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.

Table 33: Summary of Resource and Capital outturn

| | | | | | | | | 2025-26 £000 | 2024-25 £000 | | |
|---------------------------------------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------------|------------------|-------------------|--|
| Type of spend | SOPS note | Estimate | | | Outturn | | | Outturn vs. Estimate, saving | | Total Outturn | |
| | | Voted | Non-voted | Total | Voted | Non-voted | Total | Voted | Total | | |
| Departmental Expenditure Limit | | | | | | | | | | | |
| – Resource | 1.1 | 6,496,554 | 239,810 | 6,736,364 | 6,233,954 | 317,713 | 6,551,667 | 262,600 | 184,697 | 5,833,866 | |
| – Capital | 1.2 | 899,233 | – | 899,233 | 875,721 | – | 875,721 | 23,512 | 23,512 | 728,071 | |
| Total | | 7,395,787 | 239,810 | 7,635,597 | 7,109,675 | 317,713 | 7,427,388 | 286,112 | 208,209 | 6,561,937 | |
| Annually Managed Expenditure | | | | | | | | | | | |
| – Resource | 1.1 | 16,169,892 | 12,461,540 | 28,631,432 | 15,258,720 | 10,608,134 | 25,866,854 | 911,172 | 2,764,578 | 27,775,259 | |
| – Capital | 1.2 | 22,010 | – | 22,010 | 6,040 | – | 6,040 | 15,970 | 15,970 | 2 | |
| Total | | 16,191,902 | 12,461,540 | 28,653,442 | 15,264,760 | 10,608,134 | 25,872,894 | 927,142 | 2,780,548 | 27,775,261 | |
| Total | | 23,587,689 | 12,701,350 | 36,289,039 | 22,374,435 | 10,925,847 | 33,300,282 | 1,213,254 | 2,988,757 | 34,337,198 | |
| Of which: | | | | | | | | | | | |
| Total Resource | 1.1 | 22,666,446 | 12,701,350 | 35,367,796 | 21,492,674 | 10,925,847 | 32,418,521 | 1,173,772 | 2,949,275 | 33,609,125 | |
| Total Capital | 1.2 | 921,243 | – | 921,243 | 881,761 | – | 881,761 | 39,482 | 39,482 | 728,073 | |
| Total | | 23,587,689 | 12,701,350 | 36,289,039 | 22,374,435 | 10,925,847 | 33,300,282 | 1,213,254 | 2,988,757 | 34,337,198 | |

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.

| | | | | | 2025-26 £000 | 2024-25 £000 |
|----------------------|-----|----------|------------|------------|------------------------------|-----------------|
| SOPS note | | Estimate | | Outturn | Outturn vs. Estimate, saving | Total Outturn |
| | | | | | | |
| Net cash requirement | 3 | | 24,048,667 | 21,481,158 | 2,567,509 | 20,652,885 |
| Administration costs | 1.1 | | 1,253,717 | 1,179,822 | 73,895 | 1,066,756 |

Although not a separately voted control, any overspend of the administration budget would still be treated as unauthorised and require retrospective Parliamentary approval.

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. 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 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 34) provides analysis of resource expenditure and SOPS 1.2 (table 35) 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:
www.gov.uk/government/organisations/valuation-office-agency

SOPS 1.1 Analysis of resource outturn by Estimate line

Table 34: Analysis of resource outturn by Estimate line

| Type of spend (resource) | Estimate | | Outturn | | | | | | 2025-26 £000 | 2024-25 £000 | |
|---|------------------|--|------------------|------------------|------------------|------------------|------------------|------------------|--|-----------------------------------|------------------|
| | Net total | Adjusted for Virements ² | Administration | | | Programme | | | Outturn vs Estimate Saving/ (excess) | Outturn ¹ Total | |
| | | | Gross | Income | Net | Gross | Income | Net | | | |
| Spending in Departmental Expenditure Limit³ | | | | | | | | | | | |
| Voted: | | | | | | | | | | | |
| A HMRC | 6,251,789 | 6,251,789 | 1,235,383 | (132,888) | 1,102,495 | 5,062,039 | (169,599) | 4,892,440 | 5,994,935 | 256,854 | 5,362,896 |
| B VOA | 244,764 | 244,764 | – | – | – | 304,386 | (63,293) | 241,093 | 241,093 | 3,671 | 201,708 |
| C Cost of Living | 1 | 1 | – | – | – | (2,074) | – | (2,074) | (2,074) | 2,075 | (5,248) |
| Total voted | 6,496,554 | 6,496,554 | 1,235,383 | (132,888) | 1,102,495 | 5,364,351 | (232,892) | 5,131,459 | 6,233,954 | 262,600 | 5,559,356 |
| Non-voted: | | | | | | | | | | | |
| D National Insurance Fund | 239,810 | 239,810 | 77,327 | – | 77,327 | 240,386 | – | 240,386 | 317,713 | (77,903) | 274,510 |
| Total non-voted | 239,810 | 239,810 | 77,327 | – | 77,327 | 240,386 | – | 240,386 | 317,713 | (77,903) | 274,510 |
| Total spending in Departmental Expenditure Limit | 6,736,364 | 6,736,364 | 1,312,710 | (132,888) | 1,179,822 | 5,604,737 | (232,892) | 5,371,845 | 6,551,667 | 184,697 | 5,833,866 |
| Spending in Annually Managed Expenditure | | | | | | | | | | | |
| Voted: | | | | | | | | | | | |
| E Child Benefit | 14,402,477 | 14,254,216 | – | – | – | 13,438,890 | – | 13,438,890 | 13,438,890 | 815,326 | 13,302,821 |
| F Tax-Free Childcare | 662,417 | 662,417 | – | – | – | 599,978 | – | 599,978 | 599,978 | 62,439 | 617,876 |
| G Gift Aid small donations scheme | 40,000 | 40,000 | – | – | – | 25,038 | – | 25,038 | 25,038 | 14,962 | 35,000 |
| H Stakeholder pensions | 176,166 | 176,456 | – | – | – | 176,456 | – | 176,456 | 176,456 | – | 157,610 |
| I Lifetime ISA | 681,274 | 693,702 | – | – | – | 693,702 | – | 693,702 | 693,702 | – | 624,403 |
| J Help to Save | 44,609 | 44,609 | – | – | – | 41,053 | – | 41,053 | 41,053 | 3,556 | 45,031 |
| K HMRC | 64,369 | 199,912 | – | – | – | 199,912 | – | 199,912 | 199,912 | – | 112,590 |

| Type of spend (resource) | Estimate | | Outturn | | | | | | 2025-26 £000 | 2024-25 £000 | |
|--|-------------------|--|------------------|---------------------|------------------|-------------------|------------------|-------------------|---------------------------|----------------------|-------------------|
| | Net total | Adjusted for Virements ² | Administration | | | Programme | | | Outturn vs Estimate | Outturn ¹ | |
| | | | Gross | Income | Net | Gross | Income | Net | | | |
| | | | Net Total | Saving/ (excess) | Total | | | | | | |
| L VOA – Business rates for Diplomatic Missions & organisations | 96,970 | 96,970 | – | – | – | 88,885 | (5,169) | 83,716 | 83,716 | 13,254 | 82,778 |
| M VOA | 1,500 | 1,500 | – | – | – | 764 | – | 764 | 764 | 736 | 898 |
| N COVID-19 | 110 | 110 | – | – | – | (789) | – | (789) | (789) | 899 | (1,140) |
| Total voted | 16,169,892 | 16,169,892 | – | – | – | 15,263,889 | (5,169) | 15,258,720 | 15,258,720 | 911,172 | 14,977,867 |
| Non-voted: | | | | | | | | | | | |
| O Personal tax credits | 1 | 1 | – | – | – | (160,155) | – | (160,155) | (160,155) | 160,156 | 2,669,737 |
| P Corporation tax reliefs | 12,456,846 | 12,456,846 | – | – | – | 10,764,061 | – | 10,764,061 | 10,764,061 | 1,692,785 | 10,123,349 |
| Q Guardian's Allowance | 4,693 | 4,693 | – | – | – | 4,228 | – | 4,228 | 4,228 | 465 | 4,306 |
| Total non-voted | 12,461,540 | 12,461,540 | – | – | – | 10,608,134 | – | 10,608,134 | 10,608,134 | 1,853,406 | 12,797,392 |
| Total spending in Annually Managed Expenditure | 28,631,432 | 28,631,432 | – | – | – | 25,872,023 | (5,169) | 25,866,854 | 25,866,854 | 2,764,578 | 27,775,259 |
| Total voted | 22,666,446 | 22,666,446 | 1,235,383 | (132,888) | 1,102,495 | 20,628,240 | (238,061) | 20,390,179 | 21,492,674 | 1,173,772 | 20,537,223 |
| Total non-voted | 12,701,350 | 12,701,350 | 77,327 | – | 77,327 | 10,848,520 | – | 10,848,520 | 10,925,847 | 1,775,503 | 13,071,902 |
| Total | 35,367,796 | 35,367,796 | 1,312,710 | (132,888) | 1,179,822 | 31,476,760 | (238,061) | 31,238,699 | 32,418,521 | 2,949,275 | 33,609,125 |

Figures in the areas outlined in thick line are the amounts that comprise the department's consolidation position but have been separately identified in alignment with the Estimate and internal governance.

1 Certain lines previously reported in 2024 to 2025 have been restructured for clarity. "Utilised provisions" are now included in "HMRC". "Providing payments in lieu of tax relief to certain bodies" is now split into "Gift Aid small donations scheme" and "Stakeholder pensions". "Other reliefs and allowances" is now reported as "Corporation tax reliefs" and "Guardian's Allowance". Overall totals remain unchanged.

2 Virements constitute: £148,261,000 reduction against line E, £290,000 increase against line H, £12,428,000 increase against line I and £135,543,000 increase against line K. This has no impact on the overall budgetary position.

3 Pressures arising on non-voted Departmental Expenditure Limit (DEL) lines are managed within the overall DEL position and do not represent a breach of Parliamentary control.

+ 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 35: Analysis of capital outturn by Estimate line**

| Type of spend (capital) | 2025-26 £000 | | | | | 2024-25 £000 |
|--|-----------------------|----------------|-----------------|---------------------------|---------------------|------------------|
| | Estimate Net total | Outturn | | Outturn vs Estimate | | Outturn Total |
| | | Gross | Income | Outturn Net total | Saving/ (excess) | |
| Spending in Departmental Expenditure Limit | | | | | | |
| Voted: | | | | | | |
| A HMRC | 854,210 | 847,842 | (15,293) | 832,549 | 21,661 | 686,362 |
| B VOA | 45,023 | 43,223 | (51) | 43,172 | 1,851 | 41,709 |
| C Cost of Living | – | – | – | – | – | – |
| Total voted | 899,233 | 891,065 | (15,344) | 875,721 | 23,512 | 728,071 |
| Non-voted: | | | | | | |
| D National Insurance Fund | – | – | – | – | – | – |
| Total non-voted | – | – | – | – | – | – |
| Total spending in Departmental Expenditure Limit | 899,233 | 891,065 | (15,344) | 875,721 | 23,512 | 728,071 |
| Spending in Annually Managed Expenditure | | | | | | |
| Voted: | | | | | | |
| E Child Benefit | 10 | 1 | – | 1 | 9 | 2 |
| F Tax-Free Childcare | – | – | – | – | – | – |
| G Gift Aid small donations scheme | – | – | – | – | – | – |
| H Stakeholder pensions | – | – | – | – | – | – |
| I Lifetime ISA | – | – | – | – | – | – |
| J Help to Save | – | – | – | – | – | – |
| K HMRC | 20,000 | 4,076 | – | 4,076 | 15,924 | – |
| L VOA – Business rates for Diplomatic Missions & organisations | – | – | – | – | – | – |
| M VOA | 2,000 | 1,963 | – | 1,963 | 37 | – |
| N COVID-19 | – | – | – | – | – | – |
| Total voted | 22,010 | 6,040 | – | 6,040 | 15,970 | 2 |
| Non-voted: | | | | | | |
| O Personal tax credits ² | – | 46,874 | (46,874) | – | – | – |
| P Corporation Tax reliefs | – | – | – | – | – | – |
| Q Guardian's Allowance | – | – | – | – | – | – |
| Total non-voted | – | 46,874 | (46,874) | – | – | – |
| Total spending in Annually Managed Expenditure | 22,010 | 52,914 | (46,874) | 6,040 | 15,970 | 2 |
| Total voted | 921,243 | 897,105 | (15,344) | 881,761 | 39,482 | 728,073 |
| Total non-voted | – | 46,874 | (46,874) | – | – | – |
| Total | 921,243 | 943,979 | (62,218) | 881,761 | 39,482 | 728,073 |

Figures in the areas outlined in thick line are the amounts that comprise the department's consolidation position but have been separately identified in alignment with the Estimate and Internal Governance.

1 Certain lines previously reported in 2024 to 2025 have been restructured for clarity. "Utilised provisions" are now included in "HMRC". "Providing payments in lieu of tax relief to certain bodies" is now split into "Gift Aid small donations scheme" and "Stakeholder pensions". "Other reliefs and allowances" is now reported as "Corporation Tax reliefs" and "Guardian's Allowance". Overall totals remain unchanged.

2 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 36: Reconciliation of net resource outturn to net operating expenditure

| | | 2025-26 | 2024-25 |
|--|--|-------------------|-------------------|
| | | £000 | £000 |
| | Reference | Outturn | Outturn |
| Statement of Parliamentary Supply: Total resource outturn | | | |
| Departmental Expenditure Limit | SOPS 1.1 | 6,551,667 | 5,833,866 |
| Annually Managed Expenditure | SOPS 1.1 | 25,866,854 | 27,775,259 |
| | | 32,418,521 | 33,609,125 |
| Excluded from SOPS total resource outturn: | | | |
| Expenditure: | Transfer of personal tax credits receivables to DWP | 46,874 | 411,948 |
| | Expenditure meeting ESA10 R&D criteria | 2,148 | 1,497 |
| | Adjustments for ESA10 capitalisations | – | 4,000 |
| | Non-current asset costs outside of budgeting | 5,675 | 304 |
| Income: | Grant capital income and non-current assets received | (7,233) | (5,740) |
| | Payable to the Consolidated Fund | (753) | (872) |
| | | 46,711 | 411,137 |
| Excluded from Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) net operating expenditure: | | | |
| Expenditure: | Service concession arrangements liability repayment | (8,642) | (4,736) |
| | Financing income and expenditure | (13,718) | (11,952) |
| | Child Benefit (Child Trust Fund) | 1 | 2 |
| | | (22,359) | (16,686) |
| Consolidated Statement of Comprehensive Net Expenditure: | | | |
| Net operating expenditure | Page 228 | 32,442,873 | 34,003,576 |

Explanation of reconciling items

Transfer of personal tax credits receivables to Department for Work and Pensions (DWP)

Personal tax credits closed on 5 April 2025, with remaining eligible customers moving to Universal Credit, administered by the DWP. Detail is presented in Resource Accounts Note 3.1.2.

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 had 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

For 2025 to 2026, Grant capital income relates largely to Government Property agency grants received in support of decarbonisation and net zero targets, and developer contributions and Modernising Retained Services. For 2024 to 2025 this related to IFRS 16 properties and represents the value provided on a peppercorn basis.

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 37: SOPS aligned to the SOCNE

| | | | | 2025-26 | | | | | 2024-25 |
|--|------------------------------|--------------------------------|------------|------------|------------------------------|--------------------------------|-------------------------|------------|---------|
| | | | | £m | | | | | £m |
| Note | Annually Managed Expenditure | Departmental Expenditure Limit | Non-budget | Department | Annually Managed Expenditure | Departmental Expenditure Limit | Non-budget ¹ | Department | |
| Cash items: | | | | | | | | | |
| | 13,443.1 | – | – | 13,443.1 | 13,307.1 | – | – | 13,307.1 | |
| Child Benefit | | | | | | | | | |
| Corporation tax reliefs | 3.1.3 | 10,764.1 | – | – | 10,764.1 | 10,123.3 | – | 10,123.3 | |
| Personal tax credits | 3.1.1 | (93.4) | – | – | (93.4) | 2,460.4 | – | 2,460.4 | |
| Tax-Free Childcare | | 600.0 | – | – | 600.0 | 617.9 | – | 617.9 | |
| Lifetime ISA | | 693.7 | – | – | 693.7 | 624.4 | – | 624.4 | |
| Payments in lieu of tax relief and rates | | 290.4 | – | – | 290.4 | 280.3 | – | 280.3 | |
| Help to Save | | 41.1 | – | – | 41.1 | 45.0 | – | 45.0 | |
| Staff and related costs | | – | 4,004.5 | – | 4,004.5 | – | 3,535.2 | 3,535.2 | |
| Goods and services | | – | 1,739.8 | 2.2 | 1,742.0 | – | 1,533.6 | 1,535.1 | |
| Service charges | | – | 154.1 | – | 154.1 | – | 137.1 | 137.1 | |
| Other cash expenditure | | (0.8) | 285.6 | – | 284.8 | (1.1) | 282.3 | 281.2 | |
| Non-cash items: | | | | | | | | | |
| Transfer of personal tax credit receivables to DWP | | – | – | 46.9 | 46.9 | – | – | 412.0 | |
| Amortisation | 6 | – | 566.5 | – | 566.5 | – | 470.8 | 470.8 | |
| Depreciation | 5, 7.1 | 16.1 | 120.7 | 6.5 | 143.3 | 11.6 | 124.8 | 142.3 | |
| Personal tax credit provisions | | (66.8) | – | – | (66.8) | 209.3 | – | 209.3 | |
| Other provisions | 13 | 185.5 | – | – | 185.5 | 109.6 | 2.6 | 112.2 | |
| Other | | 8.7 | 13.6 | (0.8) | 21.5 | 0.3 | 105.4 | (1.6) | |

| | | | | 2025-26 £m | | | | 2024-25 £m | |
|--|------|------------------------------------|--------------------------------------|-------------------|-----------------|------------------------------------|--------------------------------------|-----------------------------|-----------------|
| | Note | Annually Managed Expenditure | Departmental Expenditure Limit | Non-budget | Department | Annually Managed Expenditure | Departmental Expenditure Limit | Non- budget ¹ | Department |
| Total expenditure | | 25,881.7 | 6,884.8 | 54.8 | 32,821.3 | 27,788.1 | 6,191.8 | 417.8 | 34,397.7 |
| Total operating income | | (5.2) | (365.8) | (7.4) | (378.4) | (5.0) | (383.3) | (5.8) | (394.1) |
| Net operating expenditure | | 25,876.5 | 6,519.0 | 47.4 | 32,442.9 | 27,783.1 | 5,808.5 | 412.0 | 34,003.6 |
| Finance income | | – | – | (0.7) | (0.7) | – | – | (0.8) | (0.8) |
| Finance expense | | – | 14.4 | – | 14.4 | – | 12.7 | – | 12.7 |
| Net expenditure for the year | | 25,876.5 | 6,533.4 | 46.7 | 32,456.6 | 27,783.1 | 5,821.2 | 411.2 | 34,015.5 |
| Reconciliation to SOPS 1.1 & SOPS 2²: | | AME | DEL | Non-budget | | AME | DEL | Non-budget | |
| SoCNE Net expenditure for the year | | 25,876.5 | 6,533.4 | 46.7 | | 27,783.1 | 5,821.2 | 411.2 | |
| Service concession arrangements liability repayment | | – | 8.6 | – | | – | 4.7 | – | |
| Provision utilisation | | (9.6) | 9.6 | – | | (8.0) | 8.0 | – | |
| SOPS 1.1 (£m) | | 25,866.9 | 6,551.6 | – | | 27,775.1 | 5,833.9 | – | |
| SOPS 2 Excluded from SOPS total resource outturn (£m) | | | | 46.7 | | | | 411.2 | |

¹ Comparative values have been restated to reflect the correct budgeting treatment of consolidation adjustments.

² 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 reconciliation bridges the resource and capital outturn to the net cash requirement.

Table 38: 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 | 35,367,796 | 32,418,521 | 2,949,275 |
| Capital outturn | 1.2 | 921,243 | 881,761 | 39,482 |
| Accruals to cash adjustments: | | | | |
| Remove non-cash items: | | | | |
| Depreciation and amortisation | | (860,112) | (703,359) | (156,753) |
| New provisions and adjustments to existing provisions | | (85,460) | (185,407) | 99,947 |
| Other non-cash items | | (10,000) | (22,460) | 12,460 |
| Reflect movement in working balances: | | | | |
| Increase/(decrease) in inventories | | – | – | – |
| Increase/(decrease) in receivables | | (6,135) | 181,906 | (188,041) |
| (Increase)/decrease in payables | | 1,392,685 | (323,952) | 1,716,637 |
| Use of provisions | | 30,000 | 152,300 | (122,300) |
| Other adjustments: | | | | |
| Remove non-voted budget items: | | | | |
| Funded outside the vote ¹ | | (12,701,350) | (10,925,848) | (1,775,502) |
| Other | | – | 7,696 | (7,696) |
| Net cash requirement | | 24,048,667 | 21,481,158 | 2,567,509 |

¹ Of the outturn included in SOPS 3, this represents the extent of non-voted expenditure. The overall outturn remains within the Departmental Expenditure Limit control totals authorised by Parliament. 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 39: Analysis of income payable to the Consolidated Fund

| | Reference | Outturn 2025-26 £000 | | Outturn 2024-25 £000 | |
|--|--------------------------|-------------------------|------------|-------------------------|------------|
| | | Accruals | Cash basis | Accruals | Cash basis |
| Income outside the ambit of the Estimate | SOPS 2 | 753 | 753 | 872 | 872 |
| [Excess] cash surrenderable to the Consolidated Fund | | – | – | – | – |
| Total amount payable to the Consolidated Fund | Page 231 (in CSoCiTE) | 753 | 753 | 872 | 872 |

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 196 to 227.

Losses and special payments

These losses and special payments relate to the running of the department, 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 214.

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 40: Losses statement

| | 2025-26 | | 2024-25 | |
|--|----------------|--------------|----------------|--------------|
| | Department | | Department | |
| | cases | £m | cases | £m |
| Personal tax credits remissions and write-offs | 411,382 | 155.8 | 671,782 | 360.5 |
| Child Benefit remissions and write-offs | 66,644 | 20.0 | 71,929 | 18.2 |
| Exchange rate losses | 19 | – | 30 | – |
| Others | 3,477 | 12.5 | 185 | 3.5 |
| Total | 481,522 | 188.3 | 743,926 | 382.2 |

In 2025 to 2026 £155.8 million of personal tax credit debt was remitted/written off as it was uncollectable (2024 to 2025 £360.5 million). For further information see the Resource Accounts on pages 244 to 245 (notes 3.1.1 and 3.1.2).

In 2025 to 2026 the department wrote off £20 million of Child Benefit debt that was uncollectable (2024 to 2025 £18.2 million).

There were no individual cases of more than £300,000.

¹ This section has been subject to external audit.

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 41: Special payments

| | 2025-26 | | 2024-25 | |
|-----------------------------------|------------|-----|------------|-----|
| | Department | | Department | |
| | cases | £m | cases | £m |
| Payments and accruals | 15,302 | 5.1 | 18,918 | 4.2 |
| Transitional Support Scheme loans | 238 | 0.9 | – | – |

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 2025 to 2026, we made 9 payments totalling £144,370.32 (2024 to 2025 9 payments totalling £85,534.94) in respect of severance cases. The highest payment was £40,000 (2024 to 2025 £25,000) and the lowest payment was £828 (2024 to 2025 £34.94). The median payment was £9,000 (2024 to 2025 £6,000).

Additionally, this year, HMRC issued Transitional Support Scheme Loans to individuals facing financial hardship due to delays in pension payments being made by Capita, which are recognised here and as receivables on the SOFP.

There were no individual cases of more than £300,000.

¹ This section has been subject to external audit.

Remote contingent liabilities¹

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 42: Indemnities

| | 1 April 2025 | Increase in year | Liabilities crystallised in year | Obligation expired in year | 31 March 2026 | Amount reported to Parliament by departmental minute |
|-------------|--------------|------------------|----------------------------------|----------------------------|---------------|--|
| | £m | £m | £m | £m | £m | £m |
| Indemnities | 26.8 | – | – | (19.3) | 7.5 | – |

Managing Public Money requires that the full potential costs of indemnified contracts be reported to Parliament.

¹ This section has been subject to external audit.

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 | 140,500 | 145,300 | (4,800) |
| Guaranteed costs | 500 | 200 | 300 |
| Dilapidations | 63,100 | 61,700 | 1,400 |
| Other | 100,000 | 84,200 | 15,800 |

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

1 July 2026

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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 2026 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise HMRC Trust Statement's:

- Statement of Financial Position as at 31 March 2026;
- 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 2026 and its net revenue for the Consolidated Fund 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 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 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 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 the completeness and accuracy of financial data. There is a risk that the financial data that supports the accounts is incomplete or inaccurate due to ineffective IT controls or systems. IT audit forms a core part of my assurance of the tax administration and financial reporting systems and cuts across the work on all tax streams.

In 2025-26, one of HMRC’s systems, the Customs and Excise Core Accounting System (CECAS) which supports several tax streams and was migrated from Oracle EBS 11i to Oracle Fusion in February 2026. This migration included data transfer from the old system to the new one. This is classified as a major IT change and forms a key part of this key audit matter

How the scope of my audit responded to the risk

I have carried out work for the following areas with the help of IT specialists:

- 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 the supporting IT general controls for the application(s) involved (around access, change and operations)
- Tested the IT interfaces for significant taxes such as Self-Assessment, Corporation Tax and Value Added Tax.
- For the migration of CECAS to Oracle Fusion, reconciled control totals and trial balances between the old and new systems to confirm completeness and accuracy of migrated data.
- Reviewing HMRC’s financial accreditation and sign-off documentation regarding the CECAS migration, as well as the governance processes for the IT upgrade.

Key observations

I am satisfied that HMRC’s 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 240) there is a presumed rebuttable significant risk of material misstatement due to fraud in revenue recognition. HMRC's Trust Statement reports £966.9 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 accrued revenue receivable 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 £160.9 billion of total tax receipts revenue generated.

My response to addressing the risk of material misstatement in this area included:

How the scope of my audit responded to the risk

- Understanding and evaluating the design and implementation of controls for each tax stream by reviewing the relevant methodologies that set out how tax receipts revenue for each tax stream 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.
- Reviewing significant models and accounting estimates in respect of accrued revenue receivable (ARR) balances
- Considering the findings of our work on postponed tax liabilities pending the outcome of taxpayer appeals (stoodovers) and enquiries and concluding on the appropriateness of the accounting treatment applied and receivables recognised.
- 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.

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 2025-26 accounts is £12.6 billion (2024-25 £12.9 billion) of which £7.2 billion (2024-25 £8.7 billion) related to CT ARR estimate with the remainder relating to postponed adjustments. The SA ARR balance reported in the 2025-26 accounts is £35.4 billion (2024-25 £28.9 billion).

The audit risk arises from the complexity of the models and the estimation uncertainty involved. Management must exercise judgement over the amount of tax receipts revenue to accrue and apply assumptions on matters such as late payments, overpayments and economic determinants when preparing 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.

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 by using IT auditors to gain assurance over the 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

How the scope of my audit responded to the risk

- 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 SAARR balances are reasonably stated and adequately disclosed in the accounts.

Key audit matter 4 – VAT and Self-Assessment Repayments

Description of risk

The tax receipts revenue repayable by HMRC each year is significant at £159.1 billion (£154.4 billion in 2024-25). The two largest components of repayments are VAT £115.7 billion (£108.9 billion 2024-25) and income tax, although income tax repayments are not separately disclosed in the Trust Statement.

Given the significant values of VAT and Self-Assessment repayments and the complexities within the rules for claiming repayments embedded in legislation for these taxes, there is a risk that repayments may be made for the incorrect amount, or where the taxpayer is not properly entitled to it if the rules are incorrectly applied. 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’. The risk associated with irregular repayments is more likely to arise in VAT and Self-Assessment as there are high volumes of repayments in these two tax streams alongside a complex regime of rules to reclaim tax repayments (as repayments in these taxes can be generated without a corresponding overpayment).

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 risked in the IDRS system, 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 IDRS performance;
- The governance arrangements, including minutes of relevant governance groups to ensure appropriate oversight of risk rules and changes;
- 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 5 – 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 2025-26, which required HMRC to continually 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 £43.8 billion at 31 March 2026 (£42.8 billion at 31 March 2025), £1 billion (2.4%) higher than the debt reported at 31 March 2025. 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.

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 by using IT auditors to gain assurance over the 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.

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 impairment of receivables and ARR is reasonably stated and adequately disclosed in the accounts.

Key audit matter 6 – Cash tax receipts processing via the EBS**Description of risk**

Cash tax receipts for the year are estimated to total £1,101.9 billion (2024–25: £1,004 billion), of which approximately 97.1% (£1,070 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 iterative enhancement project. The progress made with this project in 2025-26 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. However, there are still residual balances remaining from the initial migration that are uncleared which heightens the risk.

We consider this gives rise to a risk for our audit due to the complexity of the system, and the high volume and value of data passing through this process.

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.
- Reviewing the IT controls around the implementation of the EBS enhancements with support of IT audit specialists.
- selecting a sample of tax receipts from a broad range of tax receipt bank accounts to ensure adequate coverage across receipt types and systems. We confirmed the tax receipts were classified correctly, accurately and within the reported financial 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 not materially misstated and adequately disclosed in the accounts.

Key audit matter 7 – Stoodover (Postponed) Tax Liabilities for Corporation Tax, Income Tax and National Insurance Contributions

Description of risk

Stoodovers are tax liabilities which HMRC have temporarily postponed usually on the submission of any appeal by the taxpayer pending the outcome of the appeal process. These balances are then excluded from receivables in the accounts until the appeal is either settled and the liability finalised or where HMRC are able to reliably assess that the liability is probable and a reasonable estimate of the liability can be made. There is an inherent risk that postponed tax liabilities are not properly brought to account when the revenue recognition criteria may have been met because of an inconsistent approach to the ongoing review of stoodovers across tax streams.

Furthermore in our 2024-25 audit we identified a number of errors in our testing of Corporation Tax and Self Assessed Income Tax stoodovers where HMRC had either incorrectly allowed a tax liability to remain stoodover, when the underlying evidence suggested it should have been brought to account, or that it had miscalculated the amount that should have been brought to account and the related interest and penalty charges pertaining to the original charge. However, the errors found were not material. We also found many cases of stoodovers where the liability had been cancelled but the taxpayer record had not been updated to remove the stoodover. Based on this work we believe that a risk of material misstatement was present for 2025-26. Given the inconsistent decisions on when the stoodover liability was to be recognised as revenue in the 2024-25 audit we consider there is a risk to revenue being underreported due to stoodover liabilities not being recognised when they should be.

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 implemented by the operational side of HMRC to ensure that stoodovers are being correctly administered and applied consistently across taxpayers;
- Understanding and evaluating the design and implementation of controls implemented by Central Finance for accounting adjustments to re-recognise stoodover balances as revenue in line with the FReM. This includes an overarching review of self-assessment stoodovers to estimate revenue to be recognised and a case-by-case review of corporation tax stoodovers
- 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 upon the evidence reviewed and the audit work completed, I am satisfied that postponed tax liabilities have been properly stoodover, that revenue recognisable in relation to these is not materially misstated and are 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 | £9.6 billion |
| Basis for determining materiality | 1% of total revenue of £966.4 billion (2024-25 £876 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 2025-26 audit (2024-25: 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 decreased tax receipts revenue by £1,229 million. The unadjusted audit differences comprise of known differences which would decrease tax receipts revenue by £781 million and extrapolated differences along with estimated differences, which would decrease tax receipts revenue by £448 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 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 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 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 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:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - 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:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - 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 2025, 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 receipts 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.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 6 July 2026

The Certificate 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 for the year ended 31 March 2026 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The financial statements comprise the Department's:

- Consolidated Statement of Financial Position as at 31 March 2026;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated 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 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's affairs as at 31 March 2026 and their net 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 Consolidated Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2026 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 and Child Benefit

Note 3.1.3 to the Resource Accounts records Corporation Tax research and development reliefs expenditure of £8.0 billion in 2025-26 and Note 2 records Child Benefit expenditure of £13.4 billion. 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 available data from a random enquiry programme, at Note 3.1.4 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 £475 million (5.3% of related expenditure). Additionally, for 2025-26 the mid-point of the Department’s estimate for error and fraud in Child Benefit expenditure 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 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 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 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 and Child Benefit Act 2005. |
| Parliamentary authorities | Supply and Appropriations (Main Estimates) Act 2025 |
| HM Treasury and related authorities | Managing Public Money |

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department’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'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 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 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 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 have been no changes 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 IT systems supporting a range of expenditure streams, most significantly, Child Benefit and Corporation Tax reliefs. Due to HM Revenue & Customs significant reliance on IT systems, effective general IT controls are critical to support the completeness and accuracy of financial data that is maintained and extracted from these systems. I rely on this data to support my audit work.

I carried out work in the following areas:

- Used the work of IT audit specialists to test 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 Child Benefit and Corporation Tax reliefs.

How the scope of my audit responded to the risk

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 Reliefs expenditure

Description of risk

This risk relates solely to HM Revenue & Customs expenditure estimate.

Corporation Tax research and development reliefs expenditure are calculated using a model produced by HM Revenue & Customs statisticians. The model uses past claims data to forecast current year expenditure based 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 £8.0 billion in 2025-26, which is highly material.

There is a risk of material misstatement due to the significant estimation uncertainty inherent in the calculation of the expenditure. Estimation uncertainty is driven by the fact that Corporation tax reliefs expenditure 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 3.1.3 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 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’s financial statements as a whole as follows:

| Department | |
|--|---|
| Materiality | £328,000,000 |
| Basis for determining materiality | 1% of gross expenditure of £32.84 billion (2024-25: £34.41bn) |
| 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 Department’s primary activities, as reported in its Resource Accounts, are the administration of the tax system and reporting on the cost of collecting tax and other amounts such as payments of Child Benefit, Corporation Tax reliefs and staff costs. 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. 1% is considered an appropriate percentage for HM Revenue & Customs given the high public and parliamentary interest in the activities of the Department. |

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. Performance materiality was set at 53% of Department’s materiality for the 2025-26 audit (2024-25: 75%). In determining performance materiality, we have considered the uncorrected misstatements identified in the previous period. 53% is the proportion of 24-25 misstatements that I assessed could potentially re-occur in the current 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 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 £93.2 million. The unadjusted audit differences comprise of known errors which would increase expenditure and decrease net assets by £51.6 million and extrapolated differences which would increase expenditure and decrease net assets by £41.6 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 audit was determined by obtaining an understanding of the Department and its environment, including Department-wide controls, and assessing the risks of material misstatement at the Departmental level.

For HM Revenue & Customs I cover substantially all of the Department'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 Department. 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 considered any risks arising from my audit of the VOA and their impact as a whole.

This work gave me the evidence I needed for my opinion on the 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 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 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 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'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 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 Departments 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’s policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department’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 2025; and primary legislation relating to taxation and benefits such as the Corporation Tax Act 2010 and Child Benefit Act 2005;
- inquired of management, the Department’s head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - 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 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 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’s framework of authority and other legal and regulatory frameworks in which the Department 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. 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 2025, employment legislation and relevant tax legislation, including the Corporation Tax Act 2010 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 Corporation Tax research and development reliefs 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 Consolidated 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.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 6 July 2026

Trust Statement

Statement of Revenue, Other Income and Expenditure

| For the year ended 31 March | | 2026 | 2025 (restated*) |
|--|------|----------------|---------------------|
| | Note | £bn | £bn |
| Taxes and duties | | | |
| Income Tax | 2.1 | 338.2 | 309.4 |
| Value Added Tax | 2.2 | 186.9 | 178.5 |
| Corporation Tax | 2.3 | 95.4 | 89.7* |
| Capital Gains Tax | 2.4 | 25.2 | 13.8 |
| Hydrocarbon oils duties | 2.5 | 24.9 | 24.7 |
| Stamp taxes | 2.6 | 19.7 | 18.8 |
| Alcohol duties | 2.7 | 12.4 | 12.8 |
| Other taxes and duties | 2.8 | 53.5 | 52.3 |
| Total taxes and duties | | 756.2 | 700.0 |
| Other revenue and income | | | |
| National Insurance Contributions | 3.1 | 202.2 | 168.8 |
| Student Loan recoveries | 3.2 | 5.0 | 4.7 |
| Fines and penalties | 3.3 | 3.0 | 2.5 |
| Total other revenue and income | | 210.2 | 176.0 |
| Total revenue | | 966.4 | 876.0 |
| Less expenditure | | | |
| Impairment charges | 5 | (14.6) | (9.5) |
| Provisions in-year expenditure | 7 | (2.6) | (0.9) |
| Total expenditure | | (17.2) | (10.4) |
| Less disbursements | | | |
| National Insurance Contributions paid and payable to the National Insurance Funds and National Health Services | 3.1 | (200.5) | (168.2) |
| Student Loan recoveries paid and payable to the Department for Education | 3.2 | (5.0) | (4.7) |
| Taxation paid to the Isle of Man | 3.5 | (0.4) | (0.3) |
| Total disbursements | | (205.9) | (173.2) |
| Less appropriation of revenue to Resource Accounts | | | |
| Accrued corporation tax reliefs expenditure | 3.4 | (10.8) | (10.1)* |
| Accrued personal tax credits income/(expenditure) | 3.4 | 0.1 | (1.9) |
| Total appropriation of revenue to Resource Accounts | | (10.7) | (12.0) |
| Total expenditure, disbursements, and appropriation of revenue | | (233.8) | (195.6) |
| Net revenue for the Consolidated Fund | | 732.6 | 680.4 |

* Restated for a change in accounting policy for corporation tax reliefs.

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes at pages 199 to 225 form part of this statement.

Statement of Financial Position

| As at | | 31 March 2026 | 31 March 2025 (restated*) | 1 April 2024 (restated*) |
|--|------|------------------|---------------------------------|--------------------------------|
| | Note | £bn | £bn | £bn |
| Non-current assets | | | | |
| Receivables falling due after one year | 4 | 1.1 | 1.2 | 1.2 |
| Current assets | | | | |
| Receivables | 4 | 37.1 | 37.6 | 32.0 |
| Accrued revenue receivable | 4 | 160.9 | 145.0* | 142.8* |
| Total current assets | | 198.0 | 182.6 | 174.8 |
| Total assets | | 199.1 | 183.8 | 176.0 |
| Current liabilities | | | | |
| Payables | 6 | (32.3) | (29.7) | (27.2) |
| Accrued revenue payable | 6 | (59.6) | (56.2)* | (55.3)* |
| Deferred revenue | 6 | (4.4) | (4.3) | (3.6) |
| Cash and cash equivalents | 6 | (1.3) | (1.3) | (1.1) |
| Total current liabilities | | (97.6) | (91.5) | (87.2) |
| Assets less current liabilities | | 101.5 | 92.3 | 88.8 |
| Non-current liabilities | | | | |
| Provision for liabilities | 7 | (9.9) | (8.2) | (8.3) |
| Total assets less total liabilities | | 91.6 | 84.1 | 80.5 |
| Balance due to/(due from) Consolidated Fund account | 8 | 91.6 | 84.1* | 80.5* |

* Restated for a change in accounting policy for corporation tax reliefs. See note 1.2.



John-Paul Marks
Accounting Officer

1 July 2026

The notes at pages 199 to 225 form part of this statement.

Statement of Cash Flows

| For the year ended 31 March | 2026 £bn | 2025 (restated*) £bn |
|---|--------------|----------------------------|
| Net revenue for the Consolidated Fund | 732.6 | 680.4 |
| (Increase) / decrease in non-cash assets | (15.3) | (7.8)* |
| Increase / (decrease) in non-cash current liabilities | 6.1 | 4.1* |
| Increase / (decrease) in provision for liabilities | 1.7 | (0.1) |
| Net cash flow from operating activities | 725.1 | 676.6 |
| Less: Cash paid to the Consolidated Fund | (725.1) | (676.8) |
| Increase/(decrease) in cash and cash equivalents in this period | – | (0.2) |
| Net funds as at 1 April (opening cash and cash equivalents balance) | (1.3) | (1.1) |
| Net funds as at 31 March (closing cash and cash equivalents balance) | (1.3) | (1.3) |

* Restated for a change in accounting policy for corporation tax reliefs. See note 1.2. The notes at pages 199 to 225 form part of this statement.

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 2025 to 2026 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 2025 to 2026, with some changes in policy detailed below. These policies, as amended, 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) and revenue losses (note 5.1), 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 (HMT) 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
- Inheritance Tax – note 2.8
- Capital Gains Tax reported via Self Assessment – note 2.4

As agreed with HMT the following elements and some repayments are accounted for on a cash basis:

- Stamp Duty – note 2.6
- National Insurance classes 1A and 1B expenses and benefits – note 3.1

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 net of corporation tax reliefs – note 4.2.3
- Tax receivable and accrued revenue receivable impairment – note 5

1.2 Changes in accounting policies

Corporation tax reliefs

Following HM Treasury's (HMT's) Clear Line of Sight reforms implemented in 2011 to 2012, corporation tax reliefs (CTRs), comprising negative revenues and payable credits covering both Quarterly Instalment Payers and non-Quarterly Instalment Payers, have been accounted for in the Resource Accounts.

During HMRC's annual review of accounting policies, HMRC management identified an immaterial amount (£2.8 billion opening balance) of corporation tax reliefs (CTR) that had been double counted across the Trust Statement and Resource Accounts since the implementation of the HMT's Clear Line of Sight reform.

This led to a further review to simplify the way HMRC accounts for CTR across the Trust Statement and Resource Accounts to better reflect the substance of CTRs, which is an integral part of Corporation Tax rather than a separate relief and credit scheme.

Corporation Tax liabilities, reliefs, offsets and repayments are managed and maintained together as an account balance. All are accounted for in the Trust Statement except for CTRs, which are settled via the Trust Statement but since 2011 to 2012 have been recognised in the Resource Accounts Statement of Financial Position (SoFP). With HMT agreement, HMRC has changed its accounting policy for CTRs to move the CTR accrued liabilities from the Resource Accounts SoFP to the Trust Statement SoFP to better reflect the substance of how CTRs are settled.

The Resource Accounts will continue to recognise accrued CTR expenditure, complying with Consolidated Budgeting Guidance. As per the FReM, accrued CTR expenditure will continue to be de-recognised from Trust Statement revenues where it initially arises and appropriated to the Resource Accounts' Statement of Comprehensive Net Expenditure.

In accordance with IAS 8, a voluntary change in accounting policy is required to be applied retrospectively. As a result, prior periods for 2024 and 2025 have been restated – see table below for a summary of the changes:

| Statement of Revenue, Other Income and Expenditure | 2024-25 restated £bn | 2024-25 published £bn | Change £bn | Note |
|---|-----------------------------|------------------------------|-------------------|-------------|
| Taxes and duties | | | | |
| Corporation Tax revenue | 89.7 | 89.6 | 0.1 | 2.3 |
| Total Revenue | 876.0 | 875.9 | 0.1 | |
| Less Accrued CTR expenditure | (10.1) | (9.5) | (0.6) | 3.4 |
| Net revenue for the consolidated fund | 680.4 | 680.9 | (0.5) | |
| Statement of Cash Flows | | | | |
| Net revenue for the Consolidated Fund | 680.4 | 680.9 | (0.5) | |
| (Increase)/decrease in non-cash assets | (7.8) | (7.5) | (0.3) | |
| Increase/(decrease) in non-cash liabilities | 4.1 | 3.3 | 0.8 | |

| Statement of Financial Position | 31 March 2025 restated £bn | 31 March 2025 published £bn | Change £bn | 1 April 2024 restated £bn | 1 April 2024 published £bn | Change £bn | Note |
|--|-----------------------------------|------------------------------------|-------------------|----------------------------------|-----------------------------------|-------------------|-------------|
| Current assets (non-cash) | | | | | | | |
| Accrued revenue receivables | | | | | | | |
| Corporation Tax | 12.9 | 14.1 | (1.2) | 12.6 | 14.1 | (1.5) | 4.2.3 |
| Current liabilities (non-cash) | | | | | | | |
| Accrued revenue payables | | | | | | | |
| Corporation Tax | 14.1 | 6.4 | (7.7) | 11.6 | 4.7 | (6.9) | 6.2.1 |
| Total assets less total liabilities | 84.1 | 93.0 | (8.9) | 80.5 | 88.9 | (8.4) | |
| Balance on the Consolidated Fund | 84.1 | 93.0 | (8.9) | 80.5 | 88.9 | (8.4) | 8 |

Accrued interest

HMRC charges late payment interest to encourage prompt payments and pays out repayment interest to compensate taxpayers when they overpay or pay ahead of schedule.

In prior years, HMT provided HMRC with dispensation to account for interest on a cash basis. In 2025 to 2026, HMRC has included an estimate for accrued interest and no longer recognises it on a cash basis. The impact on net revenue in 2025 to 2026 after impairment as per note 5.2 was an increase of £0.3 billion.

In accordance with IAS 8, application of a new accounting policy that is immaterial does not require to be applied retrospectively. Therefore, this accounting policy change has been applied prospectively in 2025 to 2026.

VAT Import One Stop Shop

The VAT Import One Stop Shop (IOSS) scheme allows businesses to simplify VAT reporting and payment for low value goods imported from outside the EU and Northern Ireland to consumers in the EU or Northern Ireland.

In prior years, HMT provided HMRC with dispensation to account for IOSS on a cash basis. In 2025 to 2026, HMRC Transformation implemented a change whereby IOSS is now accounted for on an accrued basis. The impact on revenue was less than £0.1 billion. IOSS is included within VAT throughout the Trust Statement.

In accordance with IAS 8, application of a new accounting policy that is immaterial does not require to be applied retrospectively. Therefore, this accounting policy change has been applied prospectively in 2025 to 2026.

1.3 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 all the elements below are satisfied:

- a taxable event has occurred (these are described in note 2 for material taxes and duties)
- the revenue can be measured reliably
- it is probable that the economic benefits from the taxable event will flow to HMRC, where term “probable” means that the flow of revenue should be more likely than not to occur

Revenues are deemed to accrue evenly over the period for which they are due.

HMRC undertakes compliance work to collect or protect revenue as part of its strategic objective to close the tax gap. This includes work in tackling avoidance, evasion and criminal attack. Given the uncertainty of both the probability of economic flow and reliability of estimated figures, future revenue flows in relation to this activity are not recognised until such time as a liability is assessed and established.

1.4 The tax gap

The tax gap is not required to be recognised or measured in the Trust Statement. 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 ‘Closing the tax gap’ (page 14).

1.5 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 18 – Presentation and Disclosure of Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The standard has now been endorsed by the UK Endorsement Board (UKEB) but has not yet been considered by the Financial Reporting Advisory Board (FRAB).

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

The objective of IFRS 19 is to specify the disclosure requirements an entity may apply instead of those in other IFRS Accounting Standards. The standard is also effective from 1 January 2027 in the private sector. IFRS 19 has not yet been endorsed by the UK Endorsement Board (UKEB) and has not yet been considered by the Financial Reporting Board (FRAB). The impact of these standards on the public sector is still being assessed, and a decision has not yet been taken on an implementation date. HMRC will assess the implications of adopting these standards once endorsement has been completed.

2. Accounting policies and analysis

2.1 Income Tax

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|--------------------------------------|--------------|--------------|
| Pay As You Earn and other Income Tax | 274.9 | 261.8 |
| Self Assessment | 61.5 | 46.4 |
| Simple Assessment | 1.8 | 1.2 |
| Total | 338.2 | 309.4 |

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.

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 | 2026 £bn | 2025 £bn |
|-----------------------------|--------------|--------------|
| Gross revenue | 302.6 | 287.4 |
| Less: revenue repayable | (115.7) | (108.9) |
| Net revenue | 186.9 | 178.5 |

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. A small proportion of accrued revenue for VAT is required to be estimated, see note 4.2.4 for further information.

2.3 Corporation Tax

| For the year ended 31 March | 2026 £bn | 2025 (restated*) £bn |
|---|-------------|----------------------------|
| Current year revenue | 96.3 | 90.0 |
| 5-year corporation tax reliefs stability adjustment | (0.9) | (0.3) |
| Total | 95.4 | 89.7* |

* Restated for a change in accounting policy for corporation tax reliefs. See note 1.2.

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.

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, except for corporation tax reliefs (CTR).

As per the FReM, £10.8 billion (£10.1 billion restated in 2024 to 2025 – see note 1.2) was recorded in the Trust Statement as appropriation of revenue received to fund the CTR expenditure reported in the Resource Accounts (see note 3.4). Of the £10.8 billion expenditure, a £0.9 billion stability reduction (£0.3 billion reduction in 2024 to 2025) represents the extent to which the final estimate differs from the initial estimate recorded 5 years previous.

For further information on the breakdown of CTR expenditure see note 3.1.3 in the Resource Accounts.

2024 to 2025 restated revenue for change in accounting policy

As described in note 1.2, HMRC has restated the 2024 to 2025 CT revenue, reflecting the change to accounting policy. Below provides a breakdown of the restated CT revenue position:

| For the year ended 31 March | 2025 £bn |
|---|-------------|
| Current year revenue | 89.9 |
| 5-year corporation tax reliefs stability adjustment | (0.3) |
| Originally published CT revenue | 89.6 |
| Change in accounting policy – CTR movement | (0.5) |
| Appropriation of revenue to the Resource Accounts | 0.6 |
| Restated CT Revenue | 89.7 |

2.4 Capital Gains Tax

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|-----------------------------|-------------|-------------|
| Total | 25.2 | 13.8 |

The taxable event for Capital Gains Tax (CGT) is the disposal of a chargeable asset leading to a taxable gain.

The rise in CGT is mainly due to policy changes. The higher CGT rates from the Autumn Budget 2024 now apply for a full year, and reforms to the non-domiciled tax regime since April 2025 have expanded the scope of taxable gains. The Temporary Repatriation Facility has also accelerated recognition of foreign gains at reduced rates.

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).

2.5 Hydrocarbon oils duties

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|-----------------------------|-------------|-------------|
| Total | 24.9 | 24.7 |

The taxable event for hydrocarbon oils 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).

2.6 Stamp taxes

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|-----------------------------------|-------------|-------------|
| Stamp Duty Land Tax | 14.8 | 14.3 |
| Stamp Duty Reserve Tax | 3.4 | 3.1 |
| Stamp Duty | 1.3 | 1.3 |
| Annual Tax on Enveloped Dwellings | 0.2 | 0.1 |
| Total | 19.7 | 18.8 |

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

2.7 Alcohol duties

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|-----------------------------|-------------|-------------|
| Wine, cider and perry | 4.8 | 4.9 |
| Spirits | 4.1 | 4.2 |
| Beer | 3.5 | 3.7 |
| Total | 12.4 | 12.8 |

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 Other taxes and duties

| For the year ended 31 March | | 2026 | 2025 |
|------------------------------------|-------|-------------|-------------|
| | Note | £bn | £bn |
| Insurance Premium Tax | | 9.1 | 9.3 |
| Inheritance Tax | | 8.3 | 8.2 |
| Tobacco duties | | 7.4 | 7.9 |
| Customs duties | | 5.0 | 4.9 |
| Air Passenger Duty | | 4.5 | 4.2 |
| Apprenticeship Levy | | 4.4 | 4.1 |
| Betting and Gaming duties | | 3.9 | 3.7 |
| Energy Profits Levy | | 2.6 | 3.3 |
| Climate Change Levy | | 1.8 | 1.8 |
| Bank Levy | | 1.7 | 1.1 |
| Bank Surcharge | | 1.2 | 0.7 |
| Digital Services Tax | | 1.1 | 0.9 |
| Diverted Profits Tax | | 0.6 | 0.1 |
| Landfill Tax | | 0.5 | 0.7 |
| Aggregates Levy | | 0.4 | 0.4 |
| Soft Drinks Industry Levy | | 0.4 | 0.3 |
| Plastic Packaging Tax | | 0.3 | 0.2 |
| Electricity Generator Levy | | 0.1 | 0.5 |
| Residential Property Developer Tax | | 0.1 | 0.1 |
| Petroleum Revenue Tax | 2.8.1 | 0.1 | (0.1) |
| Total | | 53.5 | 52.3 |

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
- negative net revenue is reported

2.8.1 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. PRT revenue reflects an accounting adjustment due to a reduction of PRT accrued revenue payables. For further information on oil and gas field decommissioning costs, see note 7.2.

3. Other revenue, income and disbursements

3.1 National Insurance Contributions

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|--|----------------|----------------|
| National Insurance Contributions | | |
| Class 1 | 199.6 | 165.2 |
| Class 2 | 0.3 | 0.3 |
| Class 4 | 2.3 | 3.3 |
| Total National Insurance Contributions (NICs) | 202.2 | 168.8 |
| NIC expenditure | (1.7) | (0.6) |
| NICs due to NIF and NHS | 200.5 | 168.2 |
| Disbursements | | |
| National Insurance Fund Great Britain (NIF GB) | (160.1) | (129.9) |
| National Insurance Fund Northern Ireland (NIF NI) | (3.4) | (2.7) |
| National Health Services (NHS) | (37.0) | (35.6) |
| Total disbursements | (200.5) | (168.2) |

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 1 revenue has increased compared to the same period last year due to changes in NIC rates and allowances announced at Autumn Budget 2024. [Rates and allowances: National Insurance contributions – GOV.UK](#).

NICs 1A and 1B expenses and benefits information reported via P11D and P11D(b) forms is not available at the time of producing the Trust Statement so these are recognised on a cash basis (see note 1.1).

From April 2024, Class 2 National Insurance contributions ceased to be payable on a compulsory basis as part of wider reforms to simplify the National Insurance system for the self employed and reduce administrative burdens. Self employed individuals with profits below the Small Profits Threshold (SPT) may still choose to pay Class 2 contributions on a voluntary basis in order to maintain entitlement to contributory benefits, including the State Pension.

NICs class 3 voluntary contributions are accounted for in the National Insurance Fund accounts [National Insurance Fund Accounts – GOV.UK](#).

3.2 Student Loan recoveries

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|--|-------------|-------------|
| Student Loan recoveries | 5.0 | 4.7 |
| Student Loan recoveries paid and payable to the Department for Education | (5.0) | (4.7) |
| Net revenue | - | - |

Student Loan recoveries are collected on behalf of and paid to the Department for Education (DfE), who administer Student Loans. The majority are collected through PAYE with an element collected through Self Assessment. Any difference between the amount of Student Loan

recoveries received and the cash paid to the DfE would be shown as a payable (see note 6 – other taxes and duties).

3.3 Fines and penalties

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|-----------------------------|-------------|-------------|
| Fines and penalties | 3.0 | 2.5 |

This consists of income arising from the levying of tax fines and penalties. Penalties relating to NICs (£43 million) 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 | 2026 £bn | 2025 (restated*) £bn |
|--|---------------|----------------------------|
| Current year corporation tax reliefs expenditure | (11.7) | (10.4) |
| 5-year corporation tax reliefs stability adjustment | 0.9 | 0.3 |
| Total accrued corporation tax reliefs expenditure | (10.8) | (10.1)* |
| Accrued personal tax credits income/(expenditure) | 0.1 | (1.9) |
| Net revenue | (10.7) | (12.0) |

* Restated for a change in accounting policy for corporation tax reliefs. See note 1.2.

Corporation tax reliefs

Expenditure relating to corporation tax reliefs (CTR) is recognised in the Resource Accounts on an accrued basis. The Trust Statement is responsible for the payment of 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 appropriation of revenue to the Resource Accounts to fund the expenditure.

Due to the delay between CT returns and relief claims being filed and the complexity with which CTR deductions, offsets and credits can be settled, total accrued CTR expenditure for the reporting period must be estimated. The final estimate; a reasonable proxy for final outturn; is produced 5 years after the initial estimate and the variance is reported in the year the estimate is finalised. For 2025 to 2026, a £0.9 billion reduction has been reported relating to 2020 to 2021 (£0.3 billion reduction relating to 2019 to 2020 in 2024 to 2025).

Personal Tax Credits

Expenditure relating to personal tax credits (PTC) is recognised in the Resource Accounts. The Trust Statement is responsible for the payment of PTC through the tax repayment process.

As per the FReM, these amounts are recorded in the Trust Statement as appropriation of revenue to the Resource Accounts to fund the expenditure.

The reduction in PTC reflects the migration of claimants to Universal Credit, which is accounted for in the Department for Work & Pensions' accounts. PTC ended on 5 April 2025. Individuals who have previously been overpaid PTC and no longer claim Universal Credits are able to repay HMRC directly.

For further information on CTR and PTC, see note 3.1.3 and 3.1.1 respectively, on page 247 and page 244 in the Resource Accounts.

For further reference to the appropriation of revenue to the Resource Accounts, see the Consolidated Statement of Changes in Taxpayers' Equity, page 231 in the Resource Accounts.

3.5 Taxation due to the Isle of Man

Under the Isle of Man Act 1979, the UK and the Isle of Man (IoM) share certain tax revenues. A new agreement signed on 11 April 2025 replaces all previous arrangements. Some taxes, called "common duties", are pooled and then split between the UK and the IoM. The IoM's share is based on goods and services used on the island.

If the IoM's share is higher than what it collects itself, the UK pays the difference (shown as a disbursement). If the IoM collects more than its agreed share, it pays the UK (shown as other revenue and income).

For the year ended 31 March 2026, net payments to the IoM were £401 million (£333 million in 2024 to 2025).

4. Receivables and accrued revenue receivable

| | As at 31 March 2026 | | | As at 31 March 2025 | | |
|--|---------------------|----------------------------|--------------|---------------------|--|--------------|
| | Receivables | Accrued revenue receivable | Total | Receivables | Accrued revenue receivable (restated*) | Total |
| | £bn | £bn | £bn | £bn | £bn | £bn |
| Non-current assets | | | | | | |
| Receivables due after one year: | | | | | | |
| Inheritance Tax | 2.0 | – | 2.0 | 2.2 | – | 2.2 |
| Non-current assets before impairment | 2.0 | – | 2.0 | 2.2 | – | 2.2 |
| Less impairment (note 5.2) | (0.9) | – | (0.9) | (1.0) | – | (1.0) |
| Total non-current assets after impairment | 1.1 | – | 1.1 | 1.2 | – | 1.2 |
| Current assets | | | | | | |
| Receivables and ARR due within one year: | | | | | | |
| Income Tax | 19.0 | 66.6 | 85.6 | 18.3 | 58.3 | 76.6 |
| Value Added Tax | 18.9 | 51.0 | 69.9 | 18.5 | 47.3 | 65.8 |
| Corporation Tax | 7.3 | 12.6 | 19.9 | 7.0 | 12.9* | 19.9* |
| National Insurance Contributions | 7.2 | 22.2 | 29.4 | 7.3 | 18.4 | 25.7 |
| Other taxes and duties | 15.7 | 10.5 | 26.2 | 15.7 | 10.0 | 25.7 |
| Current assets before impairment | 68.1 | 162.9 | 231.0 | 66.8 | 146.9 | 213.7 |
| Less impairment (note 5.2) | (31.0) | (2.0) | (33.0) | (29.2) | (1.9) | (31.1) |
| Total current assets after impairment | 37.1 | 160.9 | 198.0 | 37.6 | 145.0 | 182.6 |
| Total assets before impairment | 70.1 | 162.9 | 233.0 | 69.0 | 146.9 | 215.9 |
| Less impairment (note 5.2) ¹ | (31.9) | (2.0) | (33.9) | (30.2) | (1.9) | (32.1) |
| Total assets after impairment | 38.2 | 160.9 | 199.1 | 38.8 | 145.0 | 183.8 |

¹ Total impairment of £33.9 billion is shown between non-current and current assets in the table above. In note 5.2 this total is shown by receivables and accrued revenue receivable and, by age of debt, in the respective tables.

* Restated for a change in accounting policy for corporation tax reliefs. See note 1.2 and 4.2.3 for further details.

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 1.3).

Further information on receivables can be found in the section 'Chief Executive's Performance Report, Collecting debt' (page 24).

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 2026 Spring statement and the Economic and Fiscal Outlook published by the Office for Budget Responsibility (OBR) in March 2026.

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 2026 Spring statement and changes to reflect the Economic and Fiscal Outlook published by the OBR in March 2026.

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 underestimation was £3.3 billion, 0.4% of 2024 to 2025 total revenue (ARR overestimation of £5.5 billion in 2023 to 2024, 0.7% of 2023 to 2024 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 £35.4 billion this year (£28.9 billion in 2024 to 2025), which is included in the total Income Tax ARR of £66.6 billion (£58.3 billion in 2024 to 2025) 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 2025 to 2026 are not due until 31 January 2027.

The SA ARR estimate is the total of the forecast liabilities for 2025 to 2026 less:

- i) any payments already received by 31 March 2026, and
- ii) unpaid Payment on Account 1 liabilities relating to 2025 to 2026.

The estimate is driven by March 2026 Spring statement forecast and the OBR central economic forecast. This generates key assumptions within SA ARR including self-employed income growth, dividend income growth and Average Effective Tax Rates (AETRs). AETRs show the average amount of tax people pay on different types of income, and they help explain how the overall forecast might change if people end up paying slightly more or less tax than expected.

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 income 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 |
|--|--------------|--------------|
| Average Effective Tax Rates (+/- 0.3–3% points) ¹ | 2.4 | (2.4) |
| Dividend income growth (+/-11% points) | 1.9 | (1.9) |
| Self-employed income growth (+/-6% points) | 1.7 | (1.7) |

¹ Different AETRs have been grouped and fall within the range above

4.2.3 Corporation Tax

Corporation Tax (CT) ARR is £12.6 billion (£12.9 billion restated in 2024 to 2025) which includes an estimated amount of £7.2 billion (£7.5 billion in 2024 to 2025).

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, which are net of corporation tax reliefs, 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 2025 to 2026 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 2026 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, with the exception of corporation tax reliefs for smaller companies, which is accounted for on an accrued basis. An estimate of £1.2 billion is included within CT ARR.

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 energy price assumptions consistent with those used in the Oil and Gas Provision, resulting in an increase in the ARR estimate for North Sea companies due to the expected growth in liabilities.

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) | 0.4 | (0.4) |
| Late payments (+/-1% point) | 0.1 | (0.1) |
| Overpayments (+/-1% point) | (0.2) | 0.2 |
| Proportion of companies' CT liabilities paid with in-year QIPs (+/-2% point) | (0.6) | 0.9 |

Change in accounting policy – corporation tax reliefs

As described in note 1.2, HMRC has restated the 2024 to 2025 CT ARR balance, reflecting the change to accounting policy to the Balance on Consolidated Fund - see note 8. Below provides a breakdown of the restated CT ARR position:

| As at 31 March | 2025 £bn |
|---|-------------|
| CT accrued revenue receivable balance as at 1 April 2024 | 14.1 |
| Opening balance correction for the change in accounting policy – accrued CTR negative tax | (1.5) |
| Restated CT accrued revenue receivable balance as at 1 April 2024 | 12.6 |
| 2024-25 accrued CTR negative tax movement – change in accounting policy | 0.3 |
| Restated CT ARR balance as at 31 March 2025 | 12.9 |

4.2.4 Value Added Tax

Value Added Tax (VAT) ARR is £51 billion (£47.3 billion in 2024 to 2025) which includes an estimated amount of £6.6 billion (£5.6 billion in 2024 to 2025). 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 in the prior year and adjusting by the year-on-year revenue growth rate.

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) | 1.5 | (1.5) |

5. Impairment charges

Impairment charges are made up of revenue losses and the movement in the impairment of receivables and ARR.

| For the year ended 31 March | 2026 £bn | 2025 £bn |
|---|-------------|-------------|
| Revenue losses | 12.8 | 7.2 |
| Increase in impairment of receivables and ARR | 1.8 | 2.3 |
| Total impairment charges | 14.6 | 9.5 |

5.1 Revenue losses

| For the year ended 31 March | 2026 | | | 2025 | | |
|----------------------------------|------------------|------------------|---------------|------------------|------------------|--------------|
| | Remissions £m | Write-offs £m | Total £m | Remissions £m | Write-offs £m | Total £m |
| Income Tax | 585 | 2,194 | 2,779 | 215 | 1,137 | 1,352 |
| Value Added Tax | 1,091 | 3,393 | 4,484 | 146 | 2,774 | 2,920 |
| Corporation Tax | 471 | 1,082 | 1,553 | 21 | 499 | 520 |
| National Insurance Contributions | 243 | 1,468 | 1,711 | 60 | 728 | 788 |
| Fines and penalties | 587 | 958 | 1,545 | 659 | 666 | 1,325 |
| Other remissions and write-offs | 120 | 587 | 707 | 109 | 216 | 325 |
| Total revenue losses | 3,097 | 9,682 | 12,779 | 1,210 | 6,020 | 7,230 |

Revenue losses are made up of remissions and write-offs:

- remissions are debts HMRC has decided not to pursue on the grounds of value for money – this is where further recovery action would not be cost effective because the customer has no ability to pay, holds no realisable assets, or where the costs of enforcement would be disproportionate to the amount likely to be recovered
- write-offs are debts that are considered to be irrecoverable because, for example, the entity no longer exists

The vast majority of revenue losses are driven by individual and business insolvencies. On 31 March 2026, HMRC had £3.7 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 2025 to 2026 we have received £293 million in such dividend payments (£233 million in 2024 to 2025).

The increase in revenue losses reflects the continued unwinding of formal insolvency delays, caused by pandemic-related court restrictions imposed throughout 2020 and 2021, together with the effects of government support measures available at that time.

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 2025 to 2026, tax satisfied by acceptance in lieu was £23 million.

Fines and penalties losses 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 24).

Large Revenue Losses

For the year ended 31 March 2026, there were 65 large cases totalling £2.4 billion (45 cases totalling £1.9 billion in 2024 to 2025). Details are shown below:

There were 53 write-offs relating to insolvency, one for a missing trader and 8 remissions totalling £2 billion (39 write-offs and 3 remissions totalling £1.1 billion in 2024 to 2025).

There were 3 bulk remissions totalling £347 million (3 bulk remissions totalling £839 million in 2024 to 2025). Details are shown below:

- Self Assessment (SA) penalties of £284 million (£231 million in 2024 to 2025), where customers were no longer liable for SA, or no longer self-employed and had ceased to trade
- SA debts of £40 million (£558 million in 2024 to 2025), where customers were no longer self-employed and who had ceased to trade in the tax year 2020 to 2021 or earlier
- HMRC decided not to pursue on the grounds of value for money for both SA bulk remissions
- annual IHT Assets in Lieu of £23 million (£50 million in 2024 to 2025), treated as a tax loss as explained above

5.2 Impairment of receivables and accrued revenue receivable

| | As at 31 March 2026 | | | As at 31 March 2025 | | |
|--------------------------------|------------------------------|---|-------------|---------------------------------|---|-------------|
| | 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 | 30.2 | 1.9 | 32.1 | 27.6 | 2.2 | 29.8 |
| Impairment in-year expenditure | 1.7 | 0.1 | 1.8 | 2.6 | (0.3) | 2.3 |
| Balance as at 31 March | 31.9 | 2.0 | 33.9 | 30.2 | 1.9 | 32.1 |

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.

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 using current period debt clearance rates are reasonable in estimating future recoveries.

The table below provides an age breakdown of the current scenario:

| Age | As at 31 March 2026 | | | As at 31 March 2025 |
|---|------------------------|--------------------|-------------|------------------------|
| | Gross balance | Impairment rate | Impairment | Impairment |
| | £bn | % | £bn | £bn |
| Not impaired ¹ | 1.0 | 0.0 | – | – |
| Accrued revenue receivable | 162.9 | 1.2 | 2.0 | 1.9 |
| Receivables not overdue ² | 12.2 | 4.6 | 0.6 | 0.7 |
| Total not overdue | 176.1 | | 2.6 | 2.6 |
| Tax debt less than 1 year overdue | 22.6 | 18.5 | 4.2 | 3.8 |
| Tax debt 1 to 2 years overdue | 6.5 | 53.5 | 3.5 | 3.8 |
| Tax debt more than 2 years overdue | 14.7 | 85.0 | 12.5 | 12.1 |
| Total tax debt³ | 43.8 | | 20.2 | 19.7 |
| Receivables under investigation less than 1 year overdue | 1.3 | 18.5 | 0.2 | 0.1 |
| Receivables under investigation 1 to 2 years overdue | 0.9 | 53.5 | 0.5 | 0.1 |
| Receivables under investigation more than 2 years overdue | 3.4 | 85.0 | 2.9 | 0.8 |
| Total receivables under investigation⁴ | 5.6 | | 3.6 | 1.0 |
| Receivables unlikely to be collectable ⁵ | 7.5 | 100.0 | 7.5 | 8.8 |
| Total | 233.0 | 14.5 | 33.9 | 32.1 |

1 Items not impaired are predominantly receivables owed from banks which do not attract impairment.

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.

In 2025 to 2026, HMRC has included an estimate for accrued interest based on aged debt data, where no interest has been automatically generated. The estimate has been impaired as part of receivables under investigation.

The impairment of receivables rate (excluding ARR) is 45.5% in 2025 to 2026 (43.8% in 2024 to 2025). The total impairment rate is 14.5% (14.8% in 2024 to 2025).

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 | (2.8) |
| High estimate scenario | 8.4 |

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 7.8% (£2.8 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 23.1% (£8.4 billion).

6. Payables, accrued revenue payable, deferred revenue, and cash and cash equivalents

| | As at 31 March 2026 | | | | As at 31 March 2025 (restated*) | | | |
|---|---------------------|-------------------------|------------------|-------------|---------------------------------|-------------------------|------------------|-------------|
| | Payables | Accrued revenue payable | Deferred revenue | Total | Payables | Accrued revenue payable | Deferred revenue | Total |
| | £bn | £bn | £bn | £bn | £bn | £bn | £bn | £bn |
| Income Tax | 6.0 | 1.3 | – | 7.3 | 4.9 | 1.3 | – | 6.2 |
| Value Added Tax | 2.1 | 19.5 | – | 21.6 | 1.6 | 18.4 | – | 20.0 |
| Corporation Tax | 15.8 | 13.6 | 0.9 | 30.3 | 14.0 | 14.1* | 0.3 | 28.4* |
| National Insurance Contributions | 1.3 | 25.0 | – | 26.3 | 0.8 | 22.1 | – | 22.9 |
| Other taxes and duties | 3.8 | 0.2 | 3.5 | 7.5 | 4.2 | 0.3 | 4.0 | 8.5 |
| Other payables | – | – | – | – | – | – | – | – |
| Payments on account | 3.3 | – | – | 3.3 | 4.2 | – | – | 4.2 |
| Current liabilities before cash and cash equivalents | 32.3 | 59.6 | 4.4 | 96.3 | 29.7 | 56.2 | 4.3 | 90.2 |
| Cash and cash equivalents | 1.3 | – | – | 1.3 | 1.3 | – | – | 1.3 |
| Total current liabilities | 33.6 | 59.6 | 4.4 | 97.6 | 31.0 | 56.2 | 4.3 | 91.5 |

* Restated for a change in accounting policy for corporation tax reliefs. See note 1.2 and 6.2.1 for further details.

There are no liabilities in the table above which fall due after one year.

6.1 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.

6.2 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 £3.3 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
- amounts of corporation tax relief where there is or could be, by their design, a payable element that is in excess of any negative taxation

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 underestimation was £0.4 billion, 0.05% of 2024 to 2025 total revenue (ARP overestimation of £0.1 billion in 2023 to 2024, 0.01% of 2023 to 2024 total revenue).

6.2.1 Change in accounting policy – corporation tax reliefs

In agreement with HMT, HMRC changed its accounting policy for corporation tax reliefs to move the fully accrued CTR balance from the Resource Accounts to the Trust Statement.

Below provides a breakdown of the restated Corporation Tax accrued revenue payable position following the change in accounting policy.

| As at 31 March | 2025 |
|--|-------------|
| | £bn |
| CT accrued revenue payable balance as at 1 April 2024 | 4.7 |
| Opening balance correction for change in accounting policy – accrued CTR payable credits | 6.9 |
| Restated CT accrued revenue payable as at 1 April 2024 | 11.6 |
| 2024-25 accrued CTR payable credits in year movements - change in accounting policy | 0.8 |
| 2024-25 accrued revenue payable in year movement | 1.7 |
| Restated CT accrued revenue payable as at 31 March 2025 | 14.1 |

6.3 Deferred revenue

Deferred revenue includes taxes and duties paid in the current year which relate to future accounting periods.

6.4 Cash and cash equivalents

This reflects the net position of payments that have been authorised for issue to taxpayers, but the money has not cleared through the banking system and cash held in HMRC bank accounts as of 31 March. Due to the regular intraday transfers to HM Treasury, minimal cash is held in HMRC bank accounts. The balance does not represent an overdraft position.

7. Provision for liabilities and contingent liabilities

Provisions are recognised when HMRC has a present legal or constructive obligation arising from 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 with uncertain outcomes, where HMRC considers that a payment is possible rather than probable, or where the amount cannot be measured reliably.

Provision for liabilities

| | Legal claims | Oil and gas field decommissioning | Total 2026 | Total 2025 |
|--|--------------|-----------------------------------|------------|------------|
| | £bn | £bn | £bn | £bn |
| Balance as at 1 April | 2.4 | 5.8 | 8.2 | 8.3 |
| Provision in-year expenditure | | | | |
| Provided in the year | 1.4 | 1.4 | 2.8 | 1.5 |
| Provision not required written back | (0.2) | – | (0.2) | (0.6) |
| Total provision in-year expenditure | 1.2 | 1.4 | 2.6 | 0.9 |
| Provision utilised in the year | (0.4) | (0.5) | (0.9) | (1.0) |
| Balance as at 31 March | 3.2 | 6.7 | 9.9 | 8.2 |

Analysis of expected timing of cash flows

| | Legal claims | Oil and gas field decommissioning | Total 2026 |
|--------------------------------|--------------|-----------------------------------|------------|
| | £bn | £bn | £bn |
| Amounts payable within 5 years | 3.2 | 3.2 | 6.4 |
| Amounts payable after 5 years | – | 3.5 | 3.5 |
| Balance as at 31 March | 3.2 | 6.7 | 9.9 |

7.1 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.

After consulting with legal and other specialists, the department has established provisions based on the relevant facts and circumstances of each case and 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 2025 to 2026; discounting was not applied as the effect was assessed to be immaterial.

Contingent liabilities

Contingent liabilities are disclosed using a best estimate based on information available at the end of the reporting period. These estimates are subject to change and, for some legal cases, are inherently uncertain. Regular review of the contingent liabilities may lead to the recognition of new cases where appropriate. Existing cases may also be revalued, recognised as provisions, or removed from the contingent liability disclosure (where the probability that HMRC will be required to settle the liability is considered to be remote).

As at 31 March 2026, HMRC had 7 cases estimated to have a value of £6.5 billion (compared with 8 cases with an estimated value of £6.0 billion as at 31 March 2025), where the maximum potential tax repayment exceeds £100 million before losses, capital allowances and other tax reliefs. Each case may involve 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 fall outside of criteria in the relevant accounting standards. Accordingly, they are not recognised in the accounts or disclosed in these notes.

7.2 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). Offshore CT comprises 3 elements: Ring-fenced Corporation Tax, the Supplementary Charge and the Energy Profits Levy.

The legislation governing decommissioning losses (Oil Taxation Act 1975) allows participators in a PRT-liable oil and gas field to carry back decommissioning losses almost indefinitely against profits the field has previously generated, whether by the current or former participators. This may result in repayments of PRT. For offshore CT, the Corporation Tax Act 2010 allows a company's decommissioning loss to be carried back against its own historical profits dating back to April 2002. This may similarly result in repayments 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.

A provision of £6.7 billion has been reported in 2025 to 2026. This is based on estimated tax repayments of £2.1 billion in PRT (£1.9 billion in 2024 to 2025) and £4.6 billion in offshore CT (£3.9 billion in 2024 to 2025), expected to be made by HMRC to companies over the period to 2069 due to losses from decommissioning expenditure.

There has been a £0.9 billion increase in the overall provision since last year with an increase due to the impact of economic assumptions being partially offset by the utilisation of the provision for 2025 to 2026.

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
- the US Dollar/Sterling exchange rate from the OBR

Uncertainty around the estimate of the provision

There is inherent uncertainty surrounding forecasting oil and gas revenues over 30+ years ahead. Sensitivity analysis has been produced to demonstrate the impact of changes to key assumptions used in the current estimate.

Impact on the provision of varying determinants

| Key assumption | Direction of impact | Increase £bn | Decrease £bn |
|---|--|--------------|--------------|
| Decommissioning costs (10% move compared to baseline) | Higher costs increase the provision | 0.7 | (0.7) |
| Oil and gas prices (10% move compared to baseline) | Higher prices reduce the provision | 0.4 | (0.4) |
| Oil & gas production (10% move compared to baseline) | Higher production reduces the provision | 0.4 | (0.4) |
| Discount rates (+/- 50 basis points) | Higher discount rates reduce the provision | 0.3 | (0.3) |
| US Dollar/Sterling exchange rate (10 cent move) | Higher US\$/£ rate increases the provision | 0.1 | (0.2) |

8. Balance on Consolidated Fund Account

Balance due to/(due from) Consolidated Fund account

| | Note | 2026 £bn | 2025 (restated*) £bn |
|--|-------|-------------|----------------------------|
| Balance due to/(due from) Consolidated Fund as at 1 April 2024 | | | 88.9 |
| Opening balance correction for the change in accounting policy – accrued CTR negative tax | 4.2.3 | | (1.5)* |
| Opening balance correction for the change in accounting policy – accrued CTR payable credits | 6.2.1 | | (6.9)* |
| Total opening balance correction | | | (8.4)* |
| Restated balance due to/(due from) Consolidated Fund as at 1 April 2024 | | | 80.5 |
| Balance due to/(due from) Consolidated Fund as at 1 April 2025 | | 84.1 | |
| Net revenue for the Consolidated Fund | | 732.6 | 680.4 |
| Less amount paid to Consolidated Fund | | (725.1) | (676.8) |
| Balance due to/(due from) Consolidated Fund Account as at 31 March | | 91.6 | 84.1 |

* Restated for a change in accounting policy for corporation tax reliefs. See note 1.2.

9. R.N. Limited

R.N. Limited is a registered company (company number 00279190) 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.

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 2025 to 2026 tax year can be found on the GOV.UK website ([Income Tax in Scotland: Current rates – GOV.UK](#)).

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 2025 to 2026 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 is allocated to the Welsh Government with the remainder retained by the UK Government.

12.3 Scottish and Welsh rate of Income Tax outturn for 2024 to 2025

The final outturn figures for 2024 to 2025 have been calculated as £18.6 billion for Scottish Income Tax (SIT) and £3.3 billion for Welsh rates of Income Tax (£17.1 billion Scottish Income Tax and £3.0 billion Welsh rates of Income Tax in 2023 to 2024).

For full details on the 2024 to 2025 outturn please refer to the HMRC publications released on 9 July 2026 [Scottish and Welsh Income Tax Outturn Statistics – GOV.UK](#). 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.

In agreement with the Scottish and Welsh Governments, provisional estimates of SIT and WRIT will no longer be produced for the Trust Statement. The most recent OBR forecasts of SIT and WRIT can be found in their March 2026 Devolved tax and spending document: <https://obr.uk/docs/d055fbf02d5b3g6jq8l2/efo-march-2026-devolved-tax-and-spending.pdf>

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 2026 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”) 2025-26.
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.

Charlotte Goodrich

Deputy Director, Government Financial Reporting
HM Treasury

18 December 2025

Resource Accounts

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2026

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

| | | 2025-26 | 2024-25 |
|---|--------------|------------------|------------------|
| | Note | Department £m | Department £m |
| Cash items: | | | |
| Child Benefit | | 13,443.1 | 13,307.1 |
| Corporation tax reliefs | 3.1.3 | 10,764.1 | 10,123.3 |
| Personal tax credits | 1.5.1, 3.1.1 | (93.4) | 2,460.4 |
| Tax-Free Childcare | | 600.0 | 617.9 |
| Lifetime ISA | | 693.7 | 624.4 |
| Payments in lieu of tax relief and rates | | 290.4 | 280.3 |
| Help to Save | | 41.1 | 45.0 |
| Staff and related costs | | 4,004.5 | 3,535.2 |
| Goods and services | | 1,742.0 | 1,535.1 |
| Service charges (contract payments) | 2 | 154.1 | 137.1 |
| Other cash expenditure | | 284.8 | 281.2 |
| Non-cash items: | | | |
| Transfer of personal tax credit receivables to DWP | | 46.9 | 412.0 |
| Amortisation | 6 | 566.5 | 470.8 |
| Depreciation ¹ | 5, 7.1 | 143.3 | 142.3 |
| Personal tax credit provisions | 3.1.1, 13 | (66.8) | 209.3 |
| Other provisions ² | 13 | 185.5 | 112.2 |
| Other | | 21.5 | 104.1 |
| Total operating expenditure | | 32,821.3 | 34,397.7 |
| Total operating income | | (378.4) | (394.1) |
| Net operating expenditure | | 32,442.9 | 34,003.6 |
| Finance income | | (0.7) | (0.8) |
| Finance expense | | 14.4 | 12.7 |
| Net expenditure for the year | | 32,456.6 | 34,015.5 |
| Other comprehensive net expenditure | | | |
| Items that will not be reclassified to net operating expenditure: | | | |
| Net loss/(gain) on: | | | |
| – revaluation of property, plant and equipment | | (9.1) | 9.9 |
| – revaluation of intangible assets ³ | | 1.9 | – |
| – actuarial revaluation of pension scheme | | (8.4) | 4.7 |
| Total comprehensive expenditure for the year | | 32,441.0 | 34,030.1 |

1 Depreciation is comprised of £72.2 million on property, plant & equipment and £71.1 million on Right-of-use (leased assets) (see notes 5 & 7).

2 Value differs from provisions reported in note 13 for liabilities and charges as it excludes the capital provision for dilapidations of £6.1 million.

3 This is an immaterial final adjustment resulting from having ceased the revaluation of intangible assets in 2024 to 2025 in accordance with early adoption of this revision in the Financial Reporting Manual (FRoM).

The notes on pages 232 to 274 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2026

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

| | Note | 2025-26 Department £m | Restated* 2024-25 Department £m | Restated* 1 April 2024 Department £m |
|--|------|-----------------------------|--|--|
| Non-current assets: | | | | |
| Intangible assets | 6 | 3,072.8 | 2,964.4 | 2,859.4 |
| Right-of-use assets | 7.1 | 998.9 | 948.8 | 989.4 |
| Property, plant and equipment | 5 | 689.2 | 669.0 | 717.3 |
| Trade and other receivables | 10 | 201.1 | 290.4 | 1,112.4 |
| Pension asset | 14 | 11.8 | 3.6 | 8.5 |
| Total non-current assets | | 4,973.8 | 4,876.2 | 5,687.0 |
| Current assets: | | | | |
| Trade and other receivables | 10 | 852.4 | 874.9 | 1,095.6 |
| Cash and cash equivalents | 11 | 57.2 | 68.6 | 41.0 |
| Total current assets | | 909.6 | 943.5 | 1,136.6 |
| Total assets | | 5,883.4 | 5,819.7 | 6,823.6 |
| Current liabilities: | | | | |
| Trade and other payables | 12 | (1,570.1) | (1,370.3) | (1,536.3) |
| Provisions | 13 | (229.2) | (367.7) | (63.1) |
| Lease liabilities | 7.2 | (64.7) | (59.4) | (22.3) |
| Total current liabilities | | (1,864.0) | (1,797.4) | (1,621.7) |
| Total assets less current liabilities | | 4,019.4 | 4,022.3 | 5,201.9 |
| Non-current liabilities: | | | | |
| Trade and other payables | 12 | (18.0) | (15.8) | (17.7) |
| Lease liabilities | 7.2 | (1,164.2) | (1,130.3) | (1,181.5) |
| Provisions | 13 | (113.7) | (75.1) | (108.0) |
| Total non-current liabilities | | (1,295.9) | (1,221.2) | (1,307.2) |
| Total assets less total liabilities | | 2,723.5 | 2,801.1 | 3,894.7 |
| Taxpayers' equity and other reserves: | | | | |
| General Fund | | 2,592.0 | 2,620.7 | 3,646.2 |
| Revaluation reserve | | 131.5 | 180.4 | 248.5 |
| Total equity | | 2,723.5 | 2,801.1 | 3,894.7 |

* Certain prior year figures have been restated as per note 1.2.
The notes on pages 232 to 274 form part of these accounts.



John-Paul Marks
Accounting Officer

1 July 2026

Consolidated Statement of Cash Flows

for the year ended 31 March 2026

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 departments' future public service delivery.

Consolidated Statement of Cash Flows

| | | 2025-26 | 2024-25 Restated* |
|--|---------------|-------------------|----------------------|
| | Note | Department £m | Department £m |
| Cash flows from operating activities | | | |
| Net operating expenditure | | (32,442.9) | (34,003.6) |
| Adjustments for non-cash transactions ¹ | | 11,597.8 | 13,448.1 |
| (Increase)/decrease in trade and other receivables | 10 | 111.8 | 1,042.7 |
| Less movements in receivables not passing through the Statement of Comprehensive Net Expenditure (SoCNE) | | (0.1) | 14.0 |
| Personal tax credits receivables, (net of impairment), transferred to DWP | 3.1.2 | (46.9) | (412.0) |
| Increase/(decrease) in trade and other payables | 12 | 202.0 | (167.9) |
| Less movements in payables not passing through the SoCNE | | (73.3) | (27.6) |
| Use of provisions | 13 | (224.6) | (9.0) |
| Net cash outflow from operating activities | | (20,876.2) | (20,115.3) |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | | (96.7) | (65.1) |
| Less additions to leased property, plant and equipment | | 11.5 | 1.5 |
| Additions to intangible assets | | (683.1) | (649.7) |
| Proceeds of disposal of property, plant and equipment | | 0.4 | 7.5 |
| Financing income | | 0.7 | 0.8 |
| Net cash outflow from investing activities | | (767.2) | (705.0) |
| Cash flows from financing activities | | | |
| From the Consolidated Fund (Supply) – current year | CSoCITE, 11.1 | 21,469.9 | 20,686.0 |
| From the National Insurance Fund | 11.1 | 260.4 | 257.7 |
| Capital element of payments in respect of leases and on-Statement of Financial Position PFI contracts | 11.1 | (83.1) | (76.7) |
| Financing expenditure | | (14.4) | (12.7) |
| Net financing | | 21,632.8 | 20,854.3 |
| Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund | | (10.6) | 34.0 |
| Payments of amounts due to the Consolidated Fund | | (0.8) | (6.4) |
| Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund | | (11.4) | 27.6 |
| Cash and cash equivalents at the beginning of the period | 11 | 68.6 | 41.0 |
| Cash and cash equivalents at the end of the period | 11 | 57.2 | 68.6 |

* Certain prior year figures have been restated as per note 1.2.

1 Includes £10,706.1 million of expenditure through the Trust Statement, therefore being of no Cash Flow consequence in the Resource Account. The notes on pages 232 to 274 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2026

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 | 2025-26 Department | | | Restated* 2024-25 Department | | |
|--|-----------------------|---|----------------------------|------------------------------------|---|----------------------------|
| | General Fund £m | Revaluation reserve ¹ £m | Taxpayers' equity £m | General Fund £m | Revaluation reserve ¹ £m | Taxpayers' equity £m |
| Opening Balance | 2,620.7 | 180.4 | 2,801.1 | (7,577.0) | 248.5 | (7,328.5) |
| Removal of Corporation Tax Relief accrual balance | – | – | – | 11,223.2 | – | 11,223.2 |
| Restated balance at 1 April | 2,620.7 | 180.4 | 2,801.1 | 3,646.2 | 248.5 | 3,894.7 |
| Net Parliamentary funding – drawn down | 21,469.9 | – | 21,469.9 | 20,686.0 | – | 20,686.0 |
| Net Parliamentary funding – deemed ² | 68.7 | – | 68.7 | 35.6 | – | 35.6 |
| Funding from Trust Statement ³ | 10,706.1 | – | 10,706.1 | 12,003.0 | – | 12,003.0 |
| National Insurance Fund | 174.2 | – | 174.2 | 278.8 | – | 278.8 |
| Supply (payable)/receivable adjustment | (57.4) | – | (57.4) | (68.7) | – | (68.7) |
| Income payable to the Consolidated Fund | (0.8) | – | (0.8) | (0.9) | – | (0.9) |
| Net expenditure for the year | (32,456.6) | – | (32,456.6) | (34,015.5) | – | (34,015.5) |
| Other net comprehensive expenditure: | | | | | | |
| Revaluation of property, plant and equipment | – | 9.1 | 9.1 | – | (9.9) | (9.9) |
| Revaluation of intangible assets ⁴ | – | (1.9) | (1.9) | – | – | – |
| Transfer between reserves | 56.1 | (56.1) | – | 58.2 | (58.2) | – |
| Pension reserve actuarial (losses)/gains | 8.4 | – | 8.4 | (4.7) | – | (4.7) |
| Contributions to Local Government Pension Scheme pension fund by DWP | 0.4 | – | 0.4 | 0.4 | – | 0.4 |
| Non-cash charges – auditor's remuneration | 2.3 | – | 2.3 | 2.3 | – | 2.3 |
| Balance at 31 March | 2,592.0 | 131.5 | 2,723.5 | 2,620.7 | 180.4 | 2,801.1 |

* Certain prior year figures have been restated as per note 1.2.

1 The 31 March 2026 balance comprised £10.9 million in relation to property, plant and equipment assets (31 March 2025 £9.1 million) and £120.5 million in relation to intangible assets (31 March 2025 £171.3 million).

2 This represents previously drawn down Supply that is available to be spent in the current financial year.

3 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 196.

4 This is an immaterial final adjustment resulting from having ceased the revaluation of intangible assets in 2024 to 2025 in accordance with the early adoption of this revision in the Financial Reporting Manual (FRM).

The notes on pages 232 to 274 form part of these accounts.

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 are prepared in accordance with the Government Financial Reporting Manual (FReM) for the 2025 to 2026 financial year. The FReM applies International Financial Reporting Standards (IFRS) as adapted and interpreted for the public sector context.

Net liabilities shown on the Statement of Financial Position are expected to be met through future funding from the Trust Statement, or by funding voted by Parliament through Supply and Appropriation Acts.

As there is no reason to believe that the required resources will not be provided, the Resource Account is prepared on a going concern basis.

Where the FReM allows a choice of accounting policy, HM Revenue and Customs applies the option that gives a true and fair view of these accounts.

+ 2025 to 2026 FReM:
<https://www.gov.uk/government/publications/government-financial-reporting-manual-2025-26>

1.2 Changes in accounting policy

Following HM Treasury's Clear Line of Sight reforms implemented in 2011 to 2012, corporation tax reliefs (CTRs), comprising negative revenues and payable credits covering both Quarterly Instalment Payers and non-Quarterly Instalment Payers, have been accounted for in the Resource Accounts.

CTRs do not represent a separate relief or credit scheme, but form an integral component of Corporation Tax. In practice, Corporation Tax liabilities, reliefs, offsets and repayments are managed and maintained collectively as an account balance, with settlement taking place through the Trust Statement, while accrued liabilities have been recognised in the Resource Accounts Statement of Financial Position (SoFP) since 2011 to 2012.

With HM Treasury agreement, HMRC has revised its accounting policy so that CTR accrued liabilities are no longer recognised in the Resource Accounts (SoFP) and are instead recognised in the Trust Statement (SoFP). This change better reflects the substance of how CTRs are settled.

The Resource Accounts will continue to recognise accrued CTR expenditure in accordance with Consolidated Budgeting Guidance. As set out in the FReM, accrued CTR expenditure will continue to be de-recognised from Trust Statement revenues where it initially arises and appropriated to the Resource Accounts' Statement of Comprehensive Net Expenditure (SoCNE).

In accordance with IAS 8, this voluntary change in accounting policy has been applied retrospectively. As a result, prior period comparatives for 2024 and 2025 have been restated – see table below for a summary of the changes.

| Financial Statement | 31 March 2025 restated £bn | 31 March 2025 published £bn | 31 March 2025 change £bn | 1 April 2024 restated £bn | 1 April 2024 published £bn | 1 April 2024 change £bn | Note reference |
|---|-------------------------------------|--------------------------------------|-----------------------------------|------------------------------------|-------------------------------------|----------------------------------|-------------------|
| Statement of Financial Position | | | | | | | |
| Current liabilities: | | | | | | | |
| Trade and other payables | -1.4 | -10.9 | 9.5 | -1.5 | -10.8 | 9.3 | 12 |
| Non-current liabilities: | | | | | | | |
| Trade and other payables | 0.0 | -2.3 | 2.3 | – | -1.9 | 1.9 | 12 |
| Total equity (includes more than CTR) | 2.8 | -9.0 | 11.8 | 3.9 | -7.3 | 11.2 | |
| Statement of Cash Flows | | | | | | | |
| Adjustments for non-cash transactions | 13.4 | 12.9 | 0.6 | – | – | – | |
| Increase/(decrease) in trade and other payables | -0.2 | 0.4 | -0.6 | – | – | – | 12 |
| Net cash outflow from operating activities | -20.1 | -20.1 | – | – | – | – | |
| Statement of Changes in Taxpayer Equity | | | | | | | |
| Removal of Corporation Tax Relief accrual balance | 11.2 | – | 11.2 | – | – | – | |
| Funding from Trust Statement | 12.0 | 11.4 | 0.6 | – | – | – | |
| Balance at 31 March | 2.8 | -9.0 | 11.8 | – | – | – | |

For further information regarding CTR please see note 3.1.3.

1.3 Accounting convention

These accounts are prepared on an accruals basis, under the historical cost convention, modified for the revaluation of property, plant and equipment where required.

1.4 Basis of consolidation

This account consolidates the results of all bodies within the departmental boundary as defined by the FReM. For HMRC this includes the core department and the Valuation Office Agency (VOA).

1.5 Tax credits

1.5.1 Personal tax credits

Personal tax credits (PTC) closed on 5 April 2025, with remaining eligible customers moving to Universal Credit, administered by the Department for Work and Pensions (DWP). Outstanding personal tax credit debt is being transferred to DWP for recovery through live Universal Credit awards, while any residual debt retained by HMRC will be collected through normal recovery routes. In the final stages of closure, reported expenditure will be negative where recoveries exceed remaining payments as cases are cleared.

1.5.2 PTC receivables

Where overpayments of PTC 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. PTC 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 PTC receivables, there is not a definition of default due to the nature of the legislation surrounding the recovery of overpayments. PTC 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.

1.5.3 Corporation tax reliefs

There is no specific IFRS that applies to corporation tax reliefs. HMRC recognises expenditure as companies engaged in qualifying activities incur qualifying expenditure. This aligns recognition in these accounts with corporation tax income recognised in the Trust Statement as taxable events occur, not when returns are filed.

Expenditure is estimated using historic relief claims, forecast growth and uplift factors, and adjustments for planned policy and rate changes. Estimation is required because of the time lag between companies' year ends and the filing of tax returns. This amount is 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 and recognised in reserves.

Corporation Tax reliefs (CTRs), comprising negative revenues and payable credits, are an integral component of Corporation Tax and are managed and maintained together with Corporation Tax liabilities, offsets and repayments as a single account balance.

Where CTRs arise within Trust Statement revenues, they are de-recognised and appropriated to the Statement of Comprehensive Net Expenditure in line with the FReM and Consolidated Budgeting Guidance.

With effect from 2025 to 2026, HMRC has revised its accounting policy so that CTR accruals are recognised in the Trust Statement, Statement of Financial Position, better reflecting the substance that CTRs are settled through the Corporation Tax account rather than as a separate scheme.

This change in accounting policy has been applied retrospectively in accordance with IAS 8.

1.6 Child Benefit

Child Benefit is a non contributory social benefit administered by HMRC and payable to eligible households, recognised when entitlement arises.

Expenditure includes amounts payable to individuals with incomes over £60,000, although these amounts may later be recovered through the High-Income Child Benefit Charge, which is treated as income tax and is recorded separately in the Trust Statement. From 2025 to 2026

expenditure includes an accrual for social benefit expenditure relating to eligible payments due, but unpaid, at the reporting date.

Overpayments are recognised as receivables and recovered through future entitlement or direct repayment.

Receivables are reported net of losses (remissions and write-offs) as disclosed in the Parliamentary accountability section.

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

Expenditure is recognised in the financial year in which top-up payments are due.

1.8 Lifetime ISA (LISA)¹

Expenditure is recognised in HMRC's financial statements net of penalties at the point a claim is paid to the relevant LISA provider.

1.9 Revenue recognition

HMRC recognises revenue in accordance with IFRS 15 when it is earned.

1.10 Non-current assets

1.10.1 Property, plant and equipment (PPE)

Recognition and measurement

PPE includes freehold and specific long-leasehold property, IT hardware, vehicles, office equipment, scientific aids, and furniture.

Subsequent measurement policies depend on the asset class.

Capitalisation thresholds are:

- accommodation refurbishments: £150,000 (VOA: £15,000)
- information technology hardware: £5,000 individually, and bulk purchases exceeding £1m where the unit cost is more than £500
- other tangible assets: £5,000 individually, and bulk purchases exceeding £1 million irrespective of unit cost

Revaluation

Under FREM 2025 to 2026, entities must now measure plant, property and equipment (PPE) using a current value model.

Property

Freehold and long leasehold properties held for their operational capacity are measured at current value in existing use in accordance with Royal Institute of Chartered Surveyors professional valuation standards. This approach was applied prospectively from 1 April 2025 no restatement of prior year figures, in accordance with IAS 16 as adapted by the FREM.

¹ Payments in respect of Tax-Free Childcare and Lifetime ISA (LISA) are made in accordance with the relevant legislation.

The date of the last property valuations was 31 December 2025.

Accommodation refurbishment

For accommodation refurbishment we currently apply the depreciated historic cost as a proxy for current value in existing use.

Other tangible assets

For IT hardware, vehicles, office equipment, scientific aids, and furniture we apply the depreciated historic cost as a proxy for current value in existing use as permitted for low value and/or short life assets.

Depreciation

Depreciation is charged on a straight line basis over the asset's estimated useful life, beginning when the asset is available for use.

Indicative useful economic lives:

| Asset Category | Useful economic life |
|--|--|
| Freehold and specific long leasehold buildings | 50 years |
| Freehold Land | Not depreciated |
| Office equipment | 5-20 years |
| IT hardware | 4-7 years |
| Vehicles | 5-8 years |
| Furniture | 10-15 years |
| Scientific aids | 3-10 years |
| Accommodation refurbishment | Duration of the lease where applicable |

Private Finance Initiative (PFI) assets

Where the group controls a PFI asset and the residual interest, the asset is recognised as PPE and the related liability as a lease obligation. Contractual payments are apportioned between financing and service charges in the CSoCNE and a lease liability in the Statement of Financial Position. HMRC has also capitalised other PFI property interests as concession arrangements.

1.10.2 Intangible assets

Recognition and measurement

Intangible assets primarily comprise developed software, software licences and website development costs. Recognition occurs if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. There are specific recognition criteria for internally generated intangible assets under IAS 38.

Capitalisation thresholds are:

- Software licences: £250,000

Revaluation

Following an HM Treasury thematic review with the Financial Reporting Advisory Board, the FReM 2025 to 2026 prescribes that the cost model should be used for measurement of intangible assets. HMRC applied this change early with HMT's consent and, as a result, deemed cost was taken from 1 April 2024 and the cost model has been applied from this point.

Amortisation

Intangible assets are amortised on a straight line basis over their useful lives. Indicative useful economic lives:

| Asset category | Useful economic life |
|---------------------|---|
| Developed software | Up to 10 years unless known to be otherwise |
| Software licences | Term of licence |
| Website development | Up to 10 years unless known to be otherwise |

Development costs

Development, integration and testing costs related to internally generated software are capitalised when recognition criteria under IAS 38 are met.

1.10.3 Assets under construction

Assets under construction relate to capital projects and software development undertaken by HMRC or by its delivery partners and owned by HMRC. Expenditure is recognised at cost and transferred to the relevant asset category when the asset becomes available for use.

1.10.4 Impairment

Non-current assets are reviewed annually for indicators of impairment. Where carrying amounts exceed recoverable amounts, impairment losses are recognised in accordance with IAS 36 (for intangible assets and PPE) as adopted by the FReM.

1.10.5 Leases

Recognition and measurement – as a lessee

The group recognises a right-of-use asset and corresponding lease liability for leases with a term greater than 12 months unless the underlying asset is low value. Right-of-use assets are depreciated over the term of the lease.

Lease liabilities are measured at the present value of lease payments, discounted using either the interest rate implicit in the lease or the HM Treasury incremental borrowing rate.

The lease liability is measured at the present value of the remaining lease payments. It is discounted using either the interest rate implicit in the lease or, where this cannot be readily determined, HM Treasury's incremental borrowing rate, 4.81% for leases recognised to 31 December 2025, and 5.32% for leases recognised from 1 January 2026.

Expenditure recognised in the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) includes:

- interest on the lease liability
- straight-line depreciation of the right-of-use asset over the lease term
- the effect of changes in variable lease payments not included in the initial measurement, recognised in the period in which the triggering event occurs.

Recognition and measurement – as a lessor

Where HMRC acts as a lessor or intermediate lessor for an asset it has itself leased, the arrangement is assessed to determine whether substantially all risks and rewards of ownership transfer to the lessee.

Memorandum of Terms of Occupancy (MoTO) are not legally enforceable contracts and do not transfer risks and rewards to the occupier, therefore are treated as operating leases as defined under the former leases standard (IAS 17).

Revaluation of Leases

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.

Peppercorn leases are measured at current value in existing use in accordance with the RCIS professional valuation standards. They are professionally valued annually.

Depreciation of leases

| Asset Category | Lease life (term) |
|------------------------------|---------------------|
| Leasehold land | Period of the lease |
| Leased service accommodation | Period of the lease |
| Leased IT assets | Period of the lease |
| Right-of-use assets | Period of the lease |

Finance leases

Where risks and rewards do transfer, the sublease is treated as a finance lease. HMRC:

- derecognises the underlying right-of-use asset
- recognises a lease receivable representing the net investment in the lease
- recognises interest income over the lease term using the effective interest method

Where sublease rentals include irrecoverable VAT charged on the headlease, the VAT element is excluded from the lease receivable and is instead credited directly to the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE).

Operating leases

Where substantially all risks and rewards do not transfer, the arrangement is treated as an operating lease and HMRC recognises rental income in the CSoCNE on a straight line basis over the lease term.

Long leasehold interests

Where the substance of a transaction transfers a long leasehold property interest to HMRC, the arrangement is not accounted for as a right-of-use asset under IFRS 16. Instead, HMRC recognises the asset as freehold property within Property, Plant and Equipment.

Information technology

Where applicable, non-current IT assets recognised by HMRC’s IT service partners and used to provide services to the department are capitalised as leases and disclosed at the lower of fair value or the present value of minimum lease payments at the inception of the contract.

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 contributory defined benefit

schemes. HMRC recognises the expected cost of these elements on an accruing basis by payments to PCSPS and CSOPS. Liability for future benefits is a charge on those schemes.

Further information can be found within the accounts of Civil Service Pensions

+ **Civil Service Pensions**
[Civil Service Pension Scheme Annual Report and Accounts 2024-2025](#)

1.11.2 Local Government Pension Scheme

Some VOA employees are members of the London Pensions Fund Authority (LPFA) a Local Government Pension Scheme (LGPS).

The HMRC Statement of Financial Position includes an asset representing the fair value of scheme assets attributable to the agency, less the present value of the defined benefit obligation. The asset recognised is limited by the IFRIC 14 asset ceiling.

+ 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. It is a defined contribution scheme available for members who do not wish to join a defined benefit arrangement.

1.12 Provisions and Contingent liabilities

The department discloses provisions and contingent liabilities above £0.1 million. Provisions are recognised in accordance with IAS 37 and measured using the best available information. Where material, provisions are discounted using rates set out in Public Expenditure System (2025) 09.

1.13 Value Added Tax (VAT)

Most of the department's activities are outside the scope of VAT. Where activities attract VAT, output VAT is applied. The department also incurs recoverable and non-recoverable input VAT on purchases. VAT is recovered on a limited number of services, under Section 41 of the VAT Act 1994 in line with the Contracting-out Direction. Non-recoverable VAT is charged to the relevant expenditure category or included in the capitalised cost of non-current assets. Otherwise, income and expenditure are shown net of VAT.

1.14 Insurance contracts (IFRS 17)

IFRS 17 Insurance Contracts replaces IFRS 4 and is effective from 1 April 2025, in line with the FReM. HM Treasury requires retrospective application where possible. HMRC has assessed the impact of adopting IFRS 17 and concluded that it does not have a material effect on these Resource Accounts.

1.15 Critical accounting judgements and key sources of estimation

The preparation of these financial statements in accordance with IFRS requires the use of accounting estimates and the application of judgement when interpreting HMRC's accounting policies. Certain areas involve a higher degree of judgement, complexity or estimation uncertainty and have a significant effect on the Resource Accounts.

Personal tax credits expenditure

Personal tax credits, reported at note 3.1.1, include Child Tax Credit and Working Tax Credit. Receivable and payable balances are derived from tax credits systems and are used to apportion revenue from the Trust Statement—where disbursements are recorded on a cash basis—into these accounts on an accruals basis.

The accrual for personal tax credits is calculated using the actual split of Child Tax Credit and Working Tax Credit payments made during the year.

Corporation tax reliefs expenditure

The accounting policy for corporation tax reliefs involves judgement because there is no specific IFRS covering these transactions. HMRC recognises expenditure when companies incur qualifying expenditure to ensure consistency between the treatment in these accounts and the related corporation tax income recognised in the Trust Statement.

Expenditure is recognised in advance of claims being received because of the timing difference between when qualifying expenditure is incurred and when claims are submitted. This timing difference introduces estimation uncertainty. Assumptions are required regarding expected qualifying expenditure based on:

- historical claim patterns
- forecast growth rates
- expected changes in relevant tax policy and rates

Key assumptions underpinning the corporation tax reliefs estimate include:

- the proportion of company tax returns not yet received or processed at the point the data extract is taken (the uplift factor)
- the forecast growth rate applied to historic trends

Further detail on estimation uncertainty is provided at note 3.1.3.

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 FRM 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 10).

Impairment of personal tax credits receivables

HMRC uses an expected credit losses (ECL) model to estimate future recoverability of personal tax credits debt. The model draws on historic recovery rates and applies judgement in several areas, including:

- expected future recoverability based on recent years' performance
- isolating HMRC's underlying recovery efficiency from the effects of debt transferred to DWP

- assuming external economic conditions will not significantly affect recovery rates
- applying a discount rate of 2.45%, in line with Public Expenditure System guidance
- modelling 3 recovery scenarios (upper, base, lower), with assumed likelihoods of 25%, 70%, and 5% respectively

The scenarios are defined as follows:

- the upper scenario considers the average percentage point change (ppt) 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, minus half of this change from the last complete year's debt recoverability rate, and applies that rate to future debt stocks

Provisions and contingent liabilities

HMRC undertakes a quarterly review of provisions and contingent liabilities. Estimates are prepared by the relevant business areas based on the likelihood of a liability arising and the best available information at the reporting date.

1.16 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 18 – Presentation and Disclosure of Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The standard has now been endorsed by the UK Endorsement Board (UKEB) but has not yet been considered by the Financial Reporting Advisory Board (FRAB).

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

The objective of IFRS 19 is to specify the disclosure requirements an entity may apply instead of those in other IFRS Accounting Standards. The standard is also effective from 1 January 2027 in the private sector. IFRS 19 has not yet been endorsed by the UK Endorsement Board (UKEB) and has not yet been considered by the Financial Reporting Board (FRAB).

The impact of these standards on the public sector is still being assessed, and a decision has not yet been taken on an implementation date. HMRC will assess the implications of adopting these standards once endorsement has been completed.

2. Expenditure

| | | 2025-26 | 2024-25 |
|--|-------|------------------|------------------|
| | Note | Department £m | Department £m |
| Personal tax credits¹ | 3.1.1 | (93.4) | 2,460.4 |
| Corporation tax reliefs | 3.1.3 | 10,764.1 | 10,123.3 |
| Child Benefit | | | |
| Child Benefit ² | | 13,438.9 | 13,302.8 |
| Guardian's Allowance (funded from National Insurance Fund) | | 4.2 | 4.3 |
| | | 13,443.1 | 13,307.1 |
| Tax-Free Childcare | | 600.0 | 617.9 |
| Lifetime ISA | | 693.7 | 624.4 |
| Help to Save | | 41.1 | 45.0 |
| Staff and related costs | p.143 | | |
| Wages and salaries | | 2,821.4 | 2,520.8 |
| Pension costs | | 779.7 | 721.7 |
| Social security costs | | 380.2 | 283.7 |
| Travel, subsistence and hospitality | | 46.2 | 44.7 |
| Recruitment and training | | 36.1 | 26.9 |
| Early severance schemes | | 2.9 | (0.1) |
| Less capitalised costs | | (62.0) | (62.5) |
| | | 4,004.5 | 3,535.2 |
| Service charges | | | |
| Contract payments | | 154.1 | 137.1 |
| Interest charges | | 14.4 | 12.7 |
| | | 168.5 | 149.8 |
| Goods and services | | | |
| IT services and consumables | | 1,192.3 | 1,015.9 |
| Contracted out services | | 322.2 | 286.0 |
| Legal and investigation | | 80.2 | 61.9 |
| Printing, postage, stationery and office supplies | | 70.2 | 65.9 |
| Enforcement costs | | 28.1 | 34.2 |
| Telephone expenses | | 19.8 | 46.0 |
| Research and Development | | 2.1 | 1.5 |
| Consultancy | | – | 0.3 |
| Other goods and services | | 27.1 | 23.4 |
| | | 1,742.0 | 1,535.1 |
| Payments in lieu of tax relief and rates | | 290.4 | 280.3 |

| | | 2025-26 | 2024-25 |
|---|-------------|--------------------------|--------------------------|
| | Note | Department £m | Department £m |
| Other cash expenditure | | | |
| Accommodation expenses | | 152.8 | 166.6 |
| NIF collection service on behalf of other government departments | | 54.4 | 51.0 |
| Operating leases | | 27.2 | 25.5 |
| Losses and special payments (excluding Child Benefit and tax credits) | | 17.6 | 7.7 |
| Auditors' remuneration and expenses | | – | – |
| Payments to add capacity | | 0.2 | 0.2 |
| Other | | 32.6 | 30.2 |
| | | 284.8 | 281.2 |
| Non-cash items: | | | |
| Amortisation, depreciation and impairments | | | |
| Amortisation | 6 | 566.5 | 470.8 |
| Depreciation | 5, 7.1 | 143.3 | 142.3 |
| Loss on impairment of non-current assets | | 17.1 | 98.2 |
| | | 726.9 | 711.3 |
| Provisions for liabilities and charges^{1&3} | 13 | 118.7 | 321.5 |
| Other non-cash | | | |
| Transfer of personal tax credits receivables to DWP | | 46.9 | 412.0 |
| Auditors' fee ⁴ | | 2.3 | 2.3 |
| Other | | 2.1 | 3.6 |
| | | 51.3 | 417.9 |
| Total non-cash items | | 896.9 | 1,450.7 |
| Total expenditure | | 32,835.7 | 34,410.4 |

1 Personal tax credits (PTC) expenditure reported in note 3.1.1 has reduced in 2025 to 2026 due to the closure of PTC. In 2025 to 2026 expenditure reduced by net provision utilisation and write back of £139.1 million (see note 13).

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 2025 to 2026 financial year, who were subject to the High Income Child Benefit Charge (HICBC). It is estimated that £388 million of HICBC liabilities relating to 2025 to 2026 will be paid in this and subsequent years. These income tax charges are accounted for in the Trust Statement. The latest equivalent estimate for 2024 to 2025 is £360 million.

3 Value differs from provisions reported in note 13 Provisions for liabilities and changes as it excludes the capital provision for dilapidations of £6.1 million

4 The NAO did not undertake any work of a non-audit nature during the period.

3. Tax credits, Child Benefit and Tax-Free Childcare

3.1 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.

3.1.1 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

| | 2025-26 £m | | | 2024-25 £m | | |
|---------------------------------------|------------------|--------------------|-------------------|------------------|--------------------|-------------------|
| | Child Tax Credit | Working Tax Credit | Total tax credits | Child Tax Credit | Working Tax Credit | Total tax credits |
| Tax credits | (107.6) | (28.6) | (136.2) | 1,577.4 | 415.4 | 1,992.8 |
| Movement in impairment of receivables | (142.3) | (37.5) | (179.8) | 250.4 | 66.0 | 316.4 |
| Remissions/write-offs | 93.7 | 62.1 | 155.8 | 240.5 | 120.0 | 360.5 |
| Total personal tax credits | (156.2) | (4.0) | (160.2) | 2,068.3 | 601.4 | 2,669.7 |

Personal tax credits expenditure comprises:

| | | |
|-----------------------|----------------|----------------|
| Cash | (93.4) | 2,460.4 |
| Non-cash (provisions) | (66.8) | 209.3 |
| | (160.2) | 2,669.7 |

+ Further information on the operation of personal tax credits can be found at www.gov.uk/government/organisations/hm-revenue-customs

3.1.2 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 (FRm), 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 | 2025-26 Department £m | 2024-25 Department £m |
|--|------|-----------------------------|-----------------------------|
| Receivables as at 1 April | | 1,335.7 | 2,290.0 |
| Adjustment to prior year finalisation estimate | | 1.0 | (41.1) |
| Estimated overpayment of awards prior to finalisation | | – | 0.4 |
| Overpayments identified from change of circumstances in year | | 11.5 | 342.2 |
| Transferred to DWP ¹ | | (132.0) | (609.7) |
| Recoveries made | | (135.5) | (285.6) |
| Remissions/write-offs | | (155.8) | (360.5) |
| Receivables as at 31 March | | 924.9 | 1,335.7 |
| Impairment as at 1 April | | 861.3 | 742.6 |
| – Transferred to DWP ² | | (85.1) | (197.7) |
| – Movement in impairment | | (179.8) | 316.4 |
| Impairment at 31 March | | 596.4 | 861.3 |
| Net receivables at 31 March | | 328.5 | 474.4 |
| Of which: | | | |
| Amounts expected to be recovered within one year | 10 | 127.4 | 183.9 |
| Amounts expected to be recovered in more than one year | 10 | 201.1 | 290.4 |
| Total | | 328.5 | 474.3 |
| 1 & 2 Summary of receivables transferred to DWP. | | | |
| Gross receivables | | 132.0 | 609.7 |
| Impairments | | (85.1) | (197.7) |
| Net receivables transferred to DWP | | 46.9 | 412.0 |

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 annual stocks and recoveries of debt. The key assumptions/judgements included in the ECL model are included in note 1.15.

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 for 2025 to 2026 is 64%, which remains in line 2024 to 2025 (64%). From 2024 to 2025 HMRC could 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 | 924.9 | 596.4 | 328.5 |
| of which debt more than one but less than 5 years old | 209.5 | 136.7 | 72.8 |
| of which debt more than 5 but less than 10 years old | 261.4 | 166.6 | 94.8 |
| of which debt more than 10 years old | 454.0 | 293.1 | 160.9 |

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 25%). | -2ppt | (-23) |
| The lower recovery scenario was applied to 100% of the debt stock (as opposed to 5%). | 2ppt | 21 |

Personal tax credits error and fraud

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 level of error and fraud is immaterial to the level that an updated estimate for 2025 to 2026 is not required. For comparative purposes we include figures from the 2024 to 2025 Resource Accounts below.

For 2024 to 2025, the central estimate for overpayments to claimants was 4.2% (£85 million) with a lower range of 4% (£80 million) and a higher range of 4.5% (£90 million). The central estimate for underpayments to claimants was 0.8% (£15 million) with a lower range of 0.6% (£13 million) and a higher range of 0.9% (£17 million).

3.1.3 Corporation tax reliefs

Corporation tax reliefs allow businesses to reduce their taxes where they invest in activities such as research and development or creative sectors. This note explains how much these reliefs cost, how estimates are produced, and how error and fraud are measured. Reliefs may include a payable element, meaning the value of relief can exceed the company's tax liability. Other corporation tax reliefs are disclosed in the Trust Statement.

Corporation tax reliefs

The table below shows the estimated value of reliefs claimed in 2025 to 2026 and 2024 to 2025 across key schemes.

| | | 2025-26 Department | | | 2024-25 Department | | |
|---|---|-----------------------|--|-----------------|-----------------------|--|-------------|
| | | Current year £m | Stability adjustment ¹ £m | Total £m | 2024-25 £m | Stability adjustment ¹ £m | Total £m |
| Research and development ² : | Merged R&D expenditure credit (Merged RDEC) | 7,751.6 | – | 7,751.6 | 1,209.4 | – | 1,209.4 |
| | Enhanced R&D intensive support (ERIS) | 1,182.5 | – | 1,182.5 | 1,134.7 | – | 1,134.7 |
| | Research and development expenditure credits (RDEC) | – | (396.8) | (396.8) | 4,075.1 | (275.6) | 3,799.5 |
| | Small and Medium-sized Enterprises (SME) | – | (520.9) | (520.9) | 1,736.2 | (230.1) | 1,506.1 |
| Creative industries ³ | Audio-Visual and Video Games Expenditure Credits ³ | 1,826.2 | – | 1,826.2 | 626.1 | – | 626.1 |
| | Theatre Tax Relief | 307.0 | 18.0 | 325.0 | 234.4 | (0.9) | 233.5 |
| | Video Games Tax Relief | 166.5 | 53.2 | 219.7 | 215.0 | 28.2 | 243.2 |
| | Film Tax Relief | 103.6 | 79.4 | 183.0 | 252.7 | 38.1 | 290.8 |
| | Orchestra Tax Relief | 51.1 | (8.1) | 43.0 | 44.8 | (0.5) | 44.3 |
| | Museums and Galleries Exhibition Tax Relief | 31.8 | (0.5) | 31.3 | 37.8 | 0.5 | 38.3 |
| | Animation Tax Relief | 3.8 | 5.2 | 9.0 | 14.3 | 2.7 | 17.0 |
| | Children's Television Tax Relief | 2.7 | 3.0 | 5.7 | 14.8 | (8.1) | 6.7 |
| | High-end Television Tax Relief | 151.5 | (152.3) | (0.8) | 650.4 | 167.4 | 817.8 |
| | Independent Film Tax Relief ³ | – | – | – | 95.2 | – | 95.2 |
| Land Remediation Relief | 95.9 | 9.5 | 105.4 | 63.4 | (2.9) | 60.5 | |
| Enhanced Capital Allowance | – | 0.2 | 0.2 | – | 0.2 | 0.2 | |
| Total | 11,674.2 | (910.1) | 10,764.1 | 10,404.3 | (281.0) | 10,123.3 | |

1 This represents the extent to which the final estimate; a reasonable proxy for final outturn; differs from the initial estimate recorded 5 years previous.

2 Presentation of these schemes represent the closure of the old Research and development expenditure credit (RDEC) and Small and Medium-sized Enterprises (SME) schemes following the implementation of the Merged Research and development expenditure credit (Merged RDEC) and Enhanced R&D intensive support (ERIS) for Corporation Tax accounting periods beginning on or after 1 April 2024. Comparative values have been revised to present consistently with this new structure.

3 Presentation of Independent Film Tax Relief from 2025 to 2026 is reflective of such claims being made under Audio-Visual Expenditure Credits.

Research and development tax relief

Changes between 2024 to 2025 and 2025 to 2026

The overall cost of R&D tax reliefs has increased, although this reflects different trends within the constituent reliefs. For R&D, 2025 to 2026 represents the first full year of the new Enhanced R&D intensive support (ERIS) and merged RDEC R&D schemes, as well as the withdrawal of the previous SME and RDEC schemes.

Estimated costs for 2025 to 2026 fully reflect the following rates:

- merged RDEC rate of 20%
- ERIS additional deduction of 86%
- ERIS credit rate of 14.5%

Uplift and growth assumptions

The estimate of R&D tax relief for 2025 to 2026 is based on claims for the 2024 to 2025 financial year received up to 31 January 2026, with uplift factors applied to account for claims not yet submitted. Forecast growth in RDEC and SME expenditure is based on economic determinants published by the Office for Budget Responsibility, adjusted for the expected impact of the Additional Information Form introduced in 2023 to reduce levels of error and fraud. These assumptions reflect the latest available evidence on filing patterns and the effect of recent compliance and policy changes.

Sensitivity analysis

Because these estimates rely on assumptions about growth and claim patterns, we test how changes in these assumptions could affect expenditure. The results show that a 5–8% change in key assumptions could shift estimated costs by £121 million to £307 million in either direction. 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.

| Assumption tested: | Typical range of change | Variation – increase £m | Variation – decrease £m |
|---|-------------------------|----------------------------|----------------------------|
| R&D SME uplift (2024 to 2025) ¹ | ±7% | 126 | (126) |
| RDEC uplift (2024 to 2025) ¹ | ±8% | 307 | (307) |
| R&D SME expenditure growth and additional information form impact (2025 to 2026) ² | ±5% | 121 | (121) |
| Merged RDEC expenditure growth (2025 to 2026) ² | ±5% | 304 | (304) |

1 For the R&D SME and RDEC 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 SME RDEC expenditure growth, the increase and decrease uses a flat rate of + 5.0%/-5.0% consistent with sensitivity analysis completed in previous years. The SME expenditure growth test incorporates the impact of the additional information form and includes companies on the ERIS scheme along with non-intensive SMEs who have transitioned onto the Merged RDEC SME scheme. The Merged RDEC expenditure growth test includes companies that are transitioning from the old RDEC scheme.

These values show potential uncertainty and do not represent forecasts.

Creative Industries Reliefs

Changes between 2024 to 2025 and 2025 to 2026

The overall cost of Creative Industries relief has increased in 2025 to 2026, although this reflects different trends within the constituent reliefs.

Creatives reliefs now include the introduction of visual effects (VFX) enhancement to Audio-Visual Expenditure Credit (AVEC) in 2025 to 2026 and the first full year of implementation for Independent Film Tax Credits.

New Expenditure Credits (AVEC and VGEC)

From 2025, Audio-Visual Expenditure Credit (AVEC) and Video Games Expenditure Credit (VGEC) began replacing some older schemes. Claims for these new credits are expected to rise sharply in 2025 to 2026 as businesses move from the older reliefs, so legacy scheme claims will fall.

Creative industries reliefs – uplift and growth assumptions

Estimates for creative industries reliefs are based on industry data, expected economic growth and agreed assumptions about how new expenditure credit schemes will replace older reliefs.

The estimates use data on claims received up to early 2026.

- For Film Tax Relief, including independent film, and High-end Television Tax Relief, growth is forecast using trends derived from British Film Institute industry data
- Video Games Tax Relief, Animation Tax Relief and Children's Television Tax Relief are forecast to grow in line with the Office for Budget Responsibility's nominal GDP assumptions
- For Theatre Tax Relief, Orchestra Tax Relief and Museum and Galleries Exhibition Tax Relief, expenditure is forecast using uplifted outturn which is then grown annually in line with nominal GDP and adjusted for the increased rates introduced from October 2021
- Audio-Visual Expenditure Credit (AVEC) and Video Games Expenditure Credit (VGEC) replace the older creative industry reliefs for Film, High-end Television, Animation and Children's Television; Forecasts for these new credits reflect expected transition from legacy schemes, based on uptake assumptions agreed with the Office for Budget Responsibility when the expenditure credit regimes were introduced

| Growth in 2025-26 | Best case growth % | Value impact (£m) | Worst case growth % | Value impact (£m) |
|-------------------|--------------------|-------------------|---------------------|-------------------|
| HETV | 4.7% | 9.4 | 2.8% | -9.4 |

| Uptake rates | Best case uptake % | Value impact (£m) | Worst case uptake % | Value impact (£m) |
|--------------|--|-------------------|---|-------------------|
| AVEC | 100% (FILM, HETV, ANI, CTV) ¹ | 10 | 78% (FILM) 80% (ANI) 74% (HETV) 82% (CTV) ² | -7 |
| VGEC | 75% ³ | 0.1 | 22% | -1.1 |

1 Assume that uptake reaches 100% for all reliefs next year ahead of schedule

2 Assume that uptake remains static and does not increase at all in the next year

3 Assume that uptake doubles the expected amount (to 75% rather than 50%).

3.1.4 Corporation tax reliefs – R&D error and fraud

HMRC estimated error and fraud in LB RDEC claims using a new method of estimation for the first time this year. The previous assumption-based method used administrative data allied to the CT LB tax gap estimate to calculate error and fraud. The new desk review exercise was carried out by experienced LB R&D caseworkers into stratified random samples of LB RDEC claims. This new method has improved the statistical reliability of the LB error and fraud estimates through individually assessing whether the original risk selection for resource-led compliance activity appropriately identified non-compliance.

The resulting estimates represent HMRC's best assessment of the level of error and fraud within R&D reliefs for the year. The estimates involve uncertainty due to the timing of claims, enquiries in progress, and the transition in compliance requirements.

Estimated value of R&D error and fraud and as a percentage of the estimated R&D tax relief expenditure

| | 2023-24 | |
|--|---|--|
| | Estimate of the rate of error and fraud | Implied monetary value of error and fraud £m |
| SME scheme ¹ | 11.1% | 347 |
| RDEC (including SME and Large Business claims) | 3.2% | 146 |
| Total R&D tax relief expenditure ² | 6.4% | 493 |

1 Figures for 2023 to 2024 have been revised to reflect updated results from HMRC's Random Enquiry Programme and improved estimation methods.

2 The total estimate represents HMRC's best current assessment of R&D error and fraud, based on the most recent compliance and analytical evidence available.

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 2023 to 2024 is not statistically different from the rate for 2022 to 2023 and reflects natural variability in the results based on a sample of cases.

R&D error and fraud – uncertainty ranges

HMRC estimates that a proportion of R&D tax relief may be claimed incorrectly, but the exact amount is uncertain.

HMRC estimates, with reasonable statistical confidence for both SME and RDEC claims, the range of error and fraud as follows.

These ranges illustrate the potential variability in the estimate. Actual values may fall outside the bounds shown. Applying these ranges to the estimated R&D corporation tax relief expenditure for 2023 to 2024 gives the following results:

| | Lower bound | | Most likely | | Upper bound | |
|-------------|-------------|-----|-------------|------|-------------|------|
| | £m | % | £m | % | £m | % |
| SME scheme | 231 | 7.4 | 347 | 11.1 | 484 | 15.5 |
| RDEC scheme | 66 | 1.4 | 146 | 3.2 | 376 | 8.2 |
| Combined | 297 | 3.8 | 493 | 6.4 | 860 | 11.1 |

Revisions to the expenditure base

The error and fraud estimates for 2023 to 2024 are affected by revisions to the underlying expenditure base for R&D corporation tax reliefs. As set out in note 3.1.4, estimates of reliefs expenditure are updated over a five-year period as more complete claims data becomes available. The latest estimate for 2023 to 2024 reduces the expenditure base, reflecting overestimation in earlier years.

The updated expenditure base and the final adjustment applied for 2018 to 2019 are shown below:

| | 2023-24 expenditure initially estimated | Final adjustment relating to 2018-19 | Total expenditure reported in 2023-24 Annual Report and Accounts | Updated estimate for 2023-24 |
|--------------|---|--------------------------------------|--|------------------------------|
| | £m | £m | £m | £m |
| R&D SME | 3,256.9 | 1,290.7 | 4,547.6 | 2,335.7 |
| RDEC | 4,447.2 | 446.1 | 4,893.3 | 4,605.9 |
| Total | 7,704.1 | 1,736.8 | 9,440.9 | 6,941.6 |

Illustrative future estimates for error and fraud

To indicate the potential impact of recent legislative changes and operational measures, we have prepared illustrative estimates of R&D error and fraud for 2024 to 2025 and 2025 to 2026. These changes include revised rates of relief, the extension of qualifying expenditure to data and cloud computing, and the mandation of digital claims requiring additional information.

The table below compares previously published illustrative estimates with the latest estimates based on Random Enquiry Programme results, including the updated figures for 2023 to 2024:

| | | Previously published illustrative estimates | | Latest estimates based on random enquiry programmes ¹ | | |
|---------------------------------|-------------------------------------|---|---------------|--|---------------------------------|---------------------------------|
| | | 2023–24 £m | 2024–25 £m | 2023–24 (final estimate) £m | 2024–25 (illustrative) £m | 2025–26 (illustrative) £m |
| Value of error fraud (£million) | SME scheme/ERIS | 370 | 339 | 347 | 253 | 131 |
| | RDEC/merged RDEC (SME) ¹ | 127 | 142 | 146 | 127 | 278 |
| | RDEC/merged RDEC (LB) ¹ | | | | 62 | 66 |
| | Total | 497 | 481 | 493 | 442 | 475 |
| Rate of error and fraud (%) | SME scheme/ERIS | 11.7 | 10.6 | 11.1 | 11.0 | 11.0 |
| | RDEC/merged RDEC (SME) ¹ | | | | 11.0 | 11.0 |
| | RDEC/merged RDEC (LB) ¹ | 2.9 | 2.9 | 3.2 | 1.3 | 1.3 |
| | Total | 6.5 | 5.9 | 6.4 | 5.3 | 5.3 |

¹ Figures are not directly comparable due to the merger of the RDEC and SME regimes and the introduction of the ERIS scheme.

The reduction in rates between 2024 to 2025 and 2025 to 2026 reflects the introduction of the Additional Information Form for R&D related claims and the introduction of the new ERIS and merged RDEC schemes. These were introduced by HMRC as part of the strategy to strengthen compliance and reduce error and fraud. These figures are illustrative only; formal estimates for future years will be produced once sufficient compliance data is available.

3.2 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 2025 to 2026 cycle runs over a 12-month period with a random sample of 225 claimants pulled from the population each month between December 2024 and November 2025.

In 2025 to 2026, 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.

The 2025 to 2026 DBA concluded that 16% of non-responders were likely to be non-compliant and 84% were likely to be compliant.

Estimated value of Child Benefit error and fraud and as a percentage of estimated Child Benefit expenditure

| | 2025-26 £m | | | 2024-25 £m | | |
|-------------------------------|---------------|------------------|-------------|---------------|------------------|-------------|
| | Lower bound | Central estimate | Upper bound | Lower bound | Central estimate | Upper bound |
| Child Benefit error and fraud | 200 (1.5%) | 270 (2.0%) | 335 (2.5%) | 200 (1.5%) | 270 (2.0%) | 330 (2.5%) |

This year's central estimate of E&F (2%) has remained steady compared to 2024 to 2025 (2%).

3.3 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 2025 E&F estimate for tax year 2025 to 2026). 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 2025 to 2026 and 2024 to 2025

| | 2025-26 £m | | | 2024-25 £m | | |
|------------------------------------|---------------|------------------|-------------|---------------|------------------|-------------|
| | Lower bound | Central estimate | Upper bound | Lower bound | Central estimate | Upper bound |
| Tax-Free Childcare error and fraud | 10 (1.6%) | 17 (2.8%) | 24 (4.0%) | 4 (0.7%) | 9 (1.4%) | 14 (2.2%) |

The central estimate of Tax-Free Childcare E&F in 2025 to 2026 was 2.8% of government top up, with a 95% confidence interval of 1.6% to 4.0%. This is equivalent to £17 million and is an increase of 1.4 percentage points from the 2024 to 2025 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%.

4. Income

Operating income relates to the operating activities of the department. This principally comprises revenue from fees and charges for services provided to other government departments, agencies, non-departmental bodies, and external customers on a full cost recovery basis. This is in accordance with HM Treasury guidance in Managing Public Money.

Income is stated net of VAT and is recognised in accordance with IFRS 15: Revenue from Contracts with Customers. This includes HMRC's statutory powers in line with the FReM adaptation of IFRS 15.

Income includes both budgetary and non-budgetary income. Non-budgetary income is outside of the ambit of the department and is surrendered to the Consolidated Fund.

Operating income

| | 2025-26 Department £m | 2024-25 Department £m |
|---|-----------------------------|-----------------------------|
| Revenue from Contracts with Customers | | |
| Valuation Office Agency Services ¹ | 52.3 | 51.1 |
| National Minimum Wage enforcement | 33.6 | 31.3 |
| Anti Money Laundering Service | 23.3 | 22.7 |
| UKBA Service Charges | 20.5 | 20.5 |
| Spirit Drinks Fees and Certificates | 0.5 | 1.6 |
| | 130.2 | 127.2 |
| Other Income | | |
| Memorandum of Terms of Occupation Income ² | 53.7 | 42.8 |
| IT and telephony charges | 33.5 | 50.1 |
| Banking Services | 24.0 | 20.4 |
| Administration services | 17.9 | 44.2 |
| Subscriptions and fees | 17.8 | 24.6 |
| Proceeds of Crime Act | 14.8 | 10.8 |
| IFRS 16 Rental Income from sub-lessees | 14.0 | 13.2 |
| Other Income types | 73.2 | 61.6 |
| Total | 248.9 | 267.7 |

1 Valuation Office Agency Services relate to income generated by the provision of valuations and property advice to support taxation and benefits and is stated net of VAT.

2 Memorandum of Terms of Occupation Income represents the 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 building.

5. Property, plant and equipment

| | | | | | | | | 2025-26 |
|---|-------------------------|------------------------------|--|---|--|---------------------------------|---------------------------------------|----------------|
| | Land ¹ £m | Buildings ¹ £m | Accommodation refurbishments ¹ £m | Office and computer equipment £m | Vehicles and scientific aids £m | Furniture and fittings £m | Assets under construction £m | Total £m |
| Cost or valuation | | | | | | | | |
| At 31 March 2025 | 43.7 | 169.7 | 417.3 | 364.1 | 16.7 | 68.1 | 33.1 | 1,112.7 |
| Balance at 1 April 2025 | 43.7 | 169.7 | 417.3 | 364.1 | 16.7 | 68.1 | 33.1 | 1,112.7 |
| Additions | – | – | – | 23.9 | 1.1 | 0.1 | 71.6 | 96.7 |
| Donations | – | – | – | – | – | – | – | – |
| Disposals | – | (5.1) | (2.4) | (45.7) | (1.5) | (0.1) | – | (54.8) |
| Impairments | – | (0.6) | – | – | – | – | (1.7) | (2.3) |
| Reclassifications | – | 0.7 | 10.3 | (0.5) | – | 0.3 | (15.9) | (5.1) |
| Revaluations ² | 4.4 | 0.8 | – | – | – | – | – | 5.2 |
| At 31 March 2026 | 48.1 | 165.5 | 425.2 | 341.8 | 16.3 | 68.4 | 87.1 | 1,152.4 |
| Depreciation | | | | | | | | |
| At 31 March 2025 | (0.3) | (66.3) | (88.7) | (253.4) | (10.7) | (24.3) | – | (443.7) |
| Balance at 1 April 2025 | (0.3) | (66.3) | (88.7) | (253.4) | (10.7) | (24.3) | – | (443.7) |
| Charged in year | 0.2 | (5.3) | (22.6) | (37.3) | (1.5) | (5.7) | – | (72.2) |
| Disposals | – | 5.1 | 1.8 | 40.3 | 1.2 | – | – | 48.4 |
| Impairments | – | – | – | – | – | – | – | – |
| Reclassifications | – | – | (0.4) | 0.4 | – | – | – | – |
| Revaluations ² | 0.3 | 4.0 | – | – | – | – | – | 4.3 |
| At 31 March 2026 | 0.2 | (62.5) | (109.9) | (250.0) | (11.0) | (30.0) | – | (463.2) |
| Carrying amount at 31 March 2025 | 43.4 | 103.4 | 328.6 | 110.7 | 6.0 | 43.8 | 33.1 | 669.0 |
| Carrying amount at 31 March 2026 | 48.3 | 103.0 | 315.3 | 91.8 | 5.3 | 38.4 | 87.1 | 689.2 |
| Of the total: | | | | | | | | |
| Core department | 48.3 | 103.0 | 312.9 | 91.8 | 5.3 | 38.0 | 86.9 | 686.2 |
| Valuation Office Agency | – | – | 2.4 | – | – | 0.4 | 0.2 | 3.0 |

| | 2025-26 | | | | | | | |
|---|-------------------------|------------------------------|--|---|--|---------------------------------|---------------------------------------|--------------|
| | Land ¹ £m | Buildings ¹ £m | Accommodation refurbishments ¹ £m | Office and computer equipment £m | Vehicles and scientific aids £m | Furniture and fittings £m | Assets under construction £m | Total £m |
| Carrying amount at 31 March 2026 | 48.3 | 103.0 | 315.3 | 91.8 | 5.3 | 38.4 | 87.1 | 689.2 |
| The assets are financed as follows: | | | | | | | | |
| Owned | 48.3 | 97.8 | 315.3 | 81.7 | 5.3 | 38.4 | 87.1 | 673.9 |
| PFI contracts | – | 5.2 | – | 10.1 | – | – | – | 15.3 |
| Carrying amount at 31 March 2026 | 48.3 | 103.0 | 315.3 | 91.8 | 5.3 | 38.4 | 87.1 | 689.2 |

1 See note 1.10.1 for the accounting policy for property assets.

2 See note 1.10.1 for the accounting policy regarding revaluation of property, plant and equipment

| | | | | | | | | 2024-25 |
|---|-------------------------|------------------------------|--|---|---|---------------------------------|---------------------------------------|----------------|
| | Land ¹ £m | Buildings ¹ £m | Accommodation refurbishments ¹ £m | Office and computer equipment £m | Vehicles and scientific aid £m | Furniture and fittings £m | Assets under construction £m | Total £m |
| Cost or valuation | | | | | | | | |
| At 1 April 2024 | 55.4 | 287.2 | 426.1 | 332.3 | 16.7 | 67.2 | 27.1 | 1,212.0 |
| Additions | – | – | – | 35.1 | 1.5 | 1.1 | 27.4 | 65.1 |
| Donations | – | – | – | – | – | – | – | – |
| Disposals | – | (3.4) | (0.5) | (10.4) | (1.9) | (0.7) | – | (16.9) |
| Impairments | (11.7) | (0.8) | (18.0) | – | – | (0.1) | – | (30.6) |
| Reclassifications | – | 0.1 | 9.7 | 7.1 | 0.4 | 0.6 | (21.4) | (3.5) |
| Revaluations ² | – | (113.4) | – | – | – | – | – | (113.4) |
| At 31 March 2025 | 43.7 | 169.7 | 417.3 | 364.1 | 16.7 | 68.1 | 33.1 | 1,112.7 |
| Depreciation | | | | | | | | |
| At 1 April 2024 | (0.1) | (176.9) | (67.3) | (220.5) | (10.7) | (19.2) | – | (494.7) |
| Charged in year | (0.2) | (6.3) | (21.9) | (42.9) | (1.5) | (5.8) | – | (78.6) |
| Disposals | – | 13.3 | 0.5 | 10.0 | 1.5 | 0.7 | – | 26.0 |
| Impairments | – | – | – | – | – | – | – | – |
| Reclassifications | – | – | – | – | – | – | – | – |
| Revaluations ² | – | 103.6 | – | – | – | – | – | 103.6 |
| At 31 March 2025 | (0.3) | (66.3) | (88.7) | (253.4) | (10.7) | (24.3) | – | (443.7) |
| Carrying amount at 31 March 2024 | 55.3 | 110.3 | 358.8 | 111.8 | 6.0 | 48.0 | 27.1 | 717.3 |
| Carrying amount at 31 March 2025 | 43.4 | 103.4 | 328.6 | 110.7 | 6.0 | 43.8 | 33.1 | 669.0 |

| | | | | | | | | 2024-25 |
|--|-------------------------|------------------------------|--|---|---|---------------------------------|---------------------------------------|--------------|
| | Land ¹ £m | Buildings ¹ £m | Accommodation refurbishments ¹ £m | Office and computer equipment £m | Vehicles and scientific aid £m | Furniture and fittings £m | Assets under construction £m | Total £m |
| Of the total: | | | | | | | | |
| Core department | 43.4 | 103.4 | 325.5 | 110.7 | 6.0 | 43.7 | 32.7 | 665.4 |
| Valuation Office Agency | – | – | 3.1 | – | – | 0.1 | 0.4 | 3.6 |
| 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 | 328.6 | 108.6 | 6.0 | 43.8 | 33.1 | 658.7 |
| 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 note 1.10.1 for the accounting policy for property assets.

2 See note 1.10.1 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.

6. Intangible assets

| | 2025-26 | | | |
|--|----------------|--|------------------------------------|------------------|
| | Licences £m | Software and website development £m | Assets under construction £m | Total £m |
| Cost or valuation | | | | |
| At 1 April 2025 | 115.9 | 5,762.6 | 1,008.4 | 6,886.9 |
| Additions | 112.9 | – | 575.3 | 688.2 |
| Disposals | (27.6) | (184.2) | – | (211.8) |
| Impairments | – | – | (17.7) | (17.7) |
| Reclassification and transfers | 7.5 | 985.2 | (987.6) | 5.1 |
| Revaluation | – | (0.3) | – | (0.3) |
| At 31 March 2026 | 208.7 | 6,563.3 | 578.4 | 7,350.4 |
| Amortisation | | | | |
| At 1 April 2025 | (62.6) | (3,859.9) | – | (3,922.5) |
| Charged in year | (56.4) | (510.1) | – | (566.5) |
| Disposals | 27.5 | 182.9 | – | 210.4 |
| Impairments | – | – | 2.8 | 2.8 |
| Reclassification and transfers | – | 2.8 | (2.8) | – |
| Revaluation | – | (1.8) | – | (1.8) |
| At 31 March 2026 | (91.5) | (4,186.1) | – | (4,277.6) |
| Carrying amount at 31 March 2025 | 53.3 | 1,902.7 | 1,008.4 | 2,964.4 |
| Carrying amount at 31 March 2026 | 117.2 | 2,377.2 | 578.4 | 3,072.8 |
| The assets are financed as follows: | | | | |
| Owned | 117.2 | 2,377.2 | 578.4 | 3,072.8 |
| Carrying amount at 31 March 2026 | 117.2 | 2,377.2 | 578.4 | 3,072.8 |
| Of the total: | | | | |
| Core department | 117.2 | 2,303.3 | 502.8 | 2,923.3 |
| Valuation Office Agency | – | 73.9 | 75.6 | 149.5 |
| Carrying amount at 31 March 2026 | 117.2 | 2,377.2 | 578.4 | 3,072.8 |

| | 2024-25 | | | |
|--|------------------------|--|---|---------------------|
| | Licences £m | Software and website development £m | Assets under construction £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 |
| Disposals | (20.0) | (255.8) | (0.2) | (276.0) |
| Impairments | – | – | (67.6) | (67.6) |
| Reclassification and transfers | 11.1 | 535.7 | (543.3) | 3.5 |
| Revaluation | – | – | – | – |
| 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 | – | – | – | – |
| Reclassification and transfers | – | – | – | – |
| Revaluation | – | – | – | – |
| 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 |

Intangible assets 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, and also those for Making Tax Digital (MTD).

| | | | 2025-26 | | | 2024-25 |
|-----------------------------------|-----------|---|--|----------------------------|--|----------------|
| | £m | Remaining life 31 March 2026 | Assets under construction | Software assets | Assets under construction | |
| Customs Declaration Service (CDS) | 675.1 | 9 years 6 months | 15.8 | 688.8 | | 77.8 |
| Making Tax Digital (MTD) | 372.2 | 9 years | 6.4 | – | | 364.7 |

Software revaluation

In agreement with HM Treasury, HMRC early adopted a change set out in 2025 to 2026 Financial Reporting Manual (FReM) from 2024 to 2025. Therefore, no revaluation has been applied to intangible assets from 1 April 2024 onwards.

7. Right-of-use leases

HMRC's right-of-use lease contracts comprise leases of operational land and buildings and motor vehicles. The table presents disclosures of right-of-use assets recognised under IFRS 16.

Further information regarding lease accounting can be found in note 1.10.5 on page 237.

The balances predominantly relate to office space in leasehold property; the carrying value for vehicles is less than £3.5 million of the total.

7.1 Right-of-use leased assets

| | | 2025-26 | 2024-25 |
|----------------------|------------------------------------|---------------------------|---------------------------|
| | | Buildings and vehicles | Buildings and vehicles |
| | | £m | £m |
| Cost: | At 1 April | 1,122.6 | 1,112.5 |
| | Remeasurement of existing leases | 118.9 | 26.9 |
| | Additions – new leases | 2.6 | 9.3 |
| | Disposals | (3.6) | (26.1) |
| | Reclassifications | – | – |
| | Revaluations | 0.2 | – |
| | At 31 March | 1,240.7 | 1,122.6 |
| Depreciation: | At 1 April | (173.8) | (123.0) |
| | Charged in-year | (71.1) | (63.7) |
| | Disposals | 3.1 | 12.9 |
| | Reclassifications | – | – |
| | At 31 March | (241.8) | (173.8) |
| | Carrying amount at 31 March | 998.9 | 948.8 |

7.2 Lease liabilities

A maturity analysis of contractual discounted cash flows relating to lease liabilities is given below. The cash flows and balances are presented net of irrecoverable VAT.

The right-of-use asset is initially measured on an amount equal to the lease liability, adjusted for certain additional items such as prepayments or lease incentives and then depreciated over the lease term. The liability itself is repaid at a different rate to straight line depreciation of the asset. Therefore, at any given time, the lease liability shown here and asset values above will not present as equal and opposite. However, at the end of the life of the lease, both liability and asset will reduce to nil.

Maturity analysis

| | 2025-26 £m | 2024-25 £m |
|--|----------------|----------------|
| Buildings | | |
| Not later than one year | 76.1 | 58.8 |
| Later than one year and not later than 5 years | 328.6 | 304.5 |
| Later than 5 years | 939.2 | 944.5 |
| | 1,343.9 | 1,307.8 |
| <i>Less interest element</i> | (118.7) | (120.8) |
| Present Value of obligations | 1,225.2 | 1,187.0 |
| Vehicles | | |
| Not later than one year | 1.3 | 0.8 |
| Later than one year and not later than 5 years | 2.7 | 1.9 |
| Later than 5 years | – | – |
| | 4.0 | 2.7 |
| <i>Less interest element</i> | (0.3) | – |
| Present Value of obligations | 3.7 | 2.7 |
| Total Present Value of obligations | 1,228.9 | 1,189.7 |
| Current portion | 64.7 | 59.4 |
| Non-current portion | 1,164.2 | 1,130.3 |

7.3 Amounts recognised in Statement of Comprehensive Net Expenditure

| | 2025-26 £m | 2024-25 £m |
|--|---------------|---------------|
| Interest paid to lessor | 13.0 | 11.7 |
| Depreciation | 71.1 | 63.7 |
| Variable lease payments not included in lease liabilities | – | – |
| Non-recoverable VAT | 16.0 | 14.7 |
| Expenses related to short-term leases | – | – |
| Expenses related to low value asset leases (excluding short-term leases) | 0.2 | 0.1 |
| Rental income from sub-leasing | (14.0) | (13.2) |
| Other | – | (0.4) |
| Total charged to the Statement of Comprehensive Net Expenditure under IFRS 16 | 86.3 | 76.6 |

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.

7.4 Amounts recognised as cash outflow for leases

| | 2025-26 £m | 2024-25 £m |
|--------------------------------------|---------------|---------------|
| Total cash outflow for leases | 91.7 | 83.5 |

8. Commitments under PFI and other service concession arrangements

8.1 Off-Statement of Financial Position

The department has no off-Statement of Financial Position PFI contracts.

8.2 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 and commitments in relation to IT infrastructure.

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 £84 million (2024 to 2025: £68.4 million).

The substance of each contract is that payments comprise 2 elements – lease payments and service elements.

Details of the obligations for lease payments

| | 2025-26 Department £m | 2024-25 Department £m |
|---|-----------------------------|-----------------------------|
| Minimum lease payments: | | |
| Due within one year | 9.1 | 5.9 |
| Due between one year and 5 years | 8.6 | 6.2 |
| Due later than 5 years | – | – |
| Total minimum lease payments due in future periods | 17.7 | 12.1 |

Details of the obligations for service elements

| | 2025-26 Department £m | 2024-25 Department £m |
|---|-----------------------------|-----------------------------|
| Service elements due in future periods: | | |
| Due within one year | 25.0 | 25.5 |
| Due between one year and 5 years | – | 25.4 |
| Due later than 5 years | – | – |
| Total service elements due in future periods | 25.0 | 50.9 |
| Total commitments | 42.7 | 63.0 |

9. Capital and other financial commitments

9.1 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

| | 2025-26 | 2024-25 |
|-------------------------------|------------------|------------------|
| | Department £m | Department £m |
| Property, plant and equipment | 100.6 | 74.6 |
| Intangible assets | 66.7 | 54.5 |
| | 167.3 | 129.1 |

9.2 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), for the provision of goods and services.

The payments to which the department are committed are as follows:

| | 2025-26 | 2024-25 |
|----------------------------------|------------------|------------------|
| | Department £m | Department £m |
| Due within one year | 414.8 | 341.0 |
| Due between one year and 5 years | 496.2 | 651.3 |
| Due later than 5 years | 97.2 | 86.5 |
| | 1,008.2 | 1,078.8 |

10. Trade receivables, financial and other assets

| | | 2025-26 | 2024-25 |
|---|-------|------------------|------------------|
| | Note | Department £m | Department £m |
| Amounts expected to be received within one year: | | | |
| Personal tax credits | 3.1.2 | 127.4 | 183.9 |
| Child Benefit ¹ | | 167.3 | 73.0 |
| Help to Save | | 6.7 | 8.1 |
| Deposits and advances | | 156.9 | 152.9 |
| Value Added Tax | | 70.7 | 54.5 |
| Prepayments – Child Benefit | | 111.5 | 90.5 |
| Accrued income, other prepayments | | 166.0 | 250.6 |
| Transitional Support Scheme loans | 16 | 0.9 | – |
| Trade and other receivables ² | | 45.0 | 61.4 |
| | | 852.4 | 874.9 |
| Amounts falling due after more than one year: | | | |
| Personal tax credits | 3.1.2 | 201.1 | 290.4 |
| | | 201.1 | 290.4 |

1 This figure is net of provision for impairment amounting to £28.2 million (2024 to 2025: £28.2 million).

2 This figure includes other receivables, which are net of provision for impairment amounting to: £24.7 million (2024 to 2025: £23.3 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

| | 2025-26 Department £m | 2024-25 Department £m |
|---|-----------------------------|-----------------------------|
| Balance at 1 April | 68.6 | 41.0 |
| Net change in cash and cash equivalent balances | (11.4) | 27.6 |
| Balance at 31 March | 57.2 | 68.6 |
| Of which balances were held at: | | |
| Government Banking Service | 52.4 | 71.6 |
| Commercial banks and cash in hand ¹ | 4.8 | (3.0) |
| Balance at 31 March | 57.2 | 68.6 |

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 2025 | Cash flows | | | | | | Non-cash changes | | Balance at 31 March 2026 |
|--|--------------------------------|----------------------------------|-----------------|-------------------------|-------------|-----------------------|--------------|------------------|----------------|--------------------------------|
| | £m | Opening balance adjustment | Financing | Net cash requirement | Acquisition | Fair value changes | Disposal | £m | £m | |
| | | £m | £m | £m | £m | £m | £m | | | |
| Supply | 68.7 | – | 21,469.9 | (21,481.2) | – | – | – | – | 57.4 | |
| From the National Insurance Fund | (86.2) | – | 260.4 | (321.9) | – | – | 147.7 | – | – | |
| Lease liabilities | 1,208.3 | (0.4) | (83.1) | – | 8.0 | 118.9 | (6.1) | – | 1,245.6 | |
| Total liabilities from financing activities | 1,190.8 | (0.4) | 21,647.2 | (21,803.1) | 8.0 | 118.9 | 141.6 | – | 1,303.0 | |

| | Balance at 31 March 2024 | Cash flows | | | | | | Non-cash changes | | Balance at 31 March 2025 |
|--|--------------------------------|----------------------------------|-----------------|-------------------------|-------------|-----------------------|--------------|------------------|----------------|--------------------------------|
| | £m | Opening balance adjustment | Financing | Net cash requirement | Acquisition | Fair value changes | Disposal | £m | £m | |
| | | £m | £m | £m | £m | £m | £m | | | |
| Supply | 35.5 | – | 20,686.1 | (20,652.9) | – | – | – | – | 68.7 | |
| From the National Insurance Fund | (5.5) | (59.6) | 257.7 | (278.8) | – | – | – | – | (86.2) | |
| Lease liabilities ¹ | 1,262.0 | (0.4) | (76.3) | – | 5.1 | 26.8 | (8.9) | – | 1,208.3 | |
| Total liabilities from financing activities | 1,292.0 | (60.0) | 20,867.5 | (20,931.7) | 5.1 | 26.8 | (8.9) | – | 1,190.8 | |

1 Of the £31.9 million of IFRS 16 lease acquisitions reported in 2024 to 2025, £26.8 million relates to rent reviews and has been reclassified and restated as fair value changes, as it does not represent new leases.

12. Trade and other payables

| | 2025-26 | Restated* 2024-25 |
|--|------------------|----------------------|
| | Department £m | Department £m |
| Amounts expected to be paid within one year: | | |
| Accruals – Tax-Free Childcare | 47.5 | 46.6 |
| Accruals | 552.3 | 472.5 |
| Personal tax credits | 257.5 | 319.5 |
| Child Benefit ¹ | 409.7 | 270.8 |
| Trade and other payables | 151.0 | 105.8 |
| Taxation and social security excluding VAT | 79.3 | 64.9 |
| Deferred income | 15.4 | 21.5 |
| Amounts issued from the Consolidated Fund for Supply but not spent at year end | 57.4 | 68.7 |
| Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund: | | |
| Received | – | – |
| | 1,570.1 | 1,370.3 |
| Amounts expected to be paid in more than one year: | | |
| IT Public Private Partnership | 3.2 | 2.3 |
| Accommodation PFI | – | 4.9 |
| Other payables | 14.8 | 8.6 |
| | 18.0 | 15.8 |

¹ Child Benefit includes accruals for £60 million relating to Social Benefits reporting introduced in 2025 to 2026, the prior year has not been restated as the value is immaterial. See note 1.6.

* Certain prior year figures have been restated as per note 1.2

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

| | 2025-26 Department | | | | | 2024-25 Department |
|---|-------------------------|-------------------------|-----------------|-------------|--------------|-----------------------|
| | Personal tax credits | Stakeholder pensions | Legal claims | Other | Total | |
| | £m | £m | £m | £m | £m | £m |
| Balance at 1 April | 210.0 | 141.3 | 84.6 | 6.9 | 442.8 | 130.3 |
| Provided in the year | – | 65.7 | 114.4 | 28.9 | 209.0 | 379.8 |
| Provisions not required written back | (66.8) | – | (15.0) | (2.5) | (84.3) | (58.3) |
| Net expenditure | (66.8) | 65.7 | 99.4 | 26.4 | 124.7 | 321.5 |
| Provisions utilised in the year | (72.3) | (141.3) | (9.7) | (1.3) | (224.6) | (9.0) |
| Balance at 31 March | 70.9 | 65.7 | 174.3 | 32.0 | 342.9 | 442.8 |

13.1 Analysis of expected timing of cash flows

| | 2025-26 Department | | | | | 2024-25 Department |
|--|-------------------------|-------------------------|-----------------|-------------|--------------|-----------------------|
| | Personal tax credits | Stakeholder pensions | Legal claims | Other | Total | |
| | £m | £m | £m | £m | £m | £m |
| Not later than one year | 57.0 | 65.7 | 91.2 | 15.3 | 229.2 | 367.7 |
| Later than one year and not later than 5 years | 13.9 | – | 67.9 | 16.0 | 97.8 | 48.8 |
| Later than 5 years | – | – | 15.2 | 0.7 | 15.9 | 26.3 |
| Balance at 31 March | 70.9 | 65.7 | 174.3 | 32.0 | 342.9 | 442.8 |

Personal tax credits

The provision relates to net underpayments identified on customer records as part of personal tax credits closure activities.

Stakeholder pensions

The provision accounts for the estimated value of HMRC top-ups to non-taxpayers' contributions to Relief at Source schemes, known as Stakeholder pensions.

The prior year provision balance of £141.3 million accounted for the difference between initial and final estimates in prior years and was paid over in full to Trust Statement in 2025 to 2026.

Legal claims

The provision relates to legal claims against the department for tax litigation cases accounted for within the Trust Statement. This reflects all known claims where legal advice indicates that it is probable that the case will be successful.

Other

The provision relates to various other claims against the department. This includes a value for dilapidation liabilities of £6 million for private landlord leases which may be incurred when properties are vacated at the end of their contracts.

Discounting has not been applied to these provisions as the effect of the time value of money is not material to the financial statements.

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. Some VOA employees are members of the London Pensions Fund Authority (LPFA) which forms part 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 229).

The impact on the HMRC CSoFP is immaterial, the table below shows the pension assets and liabilities that results in a net asset.

| | 2025-26 £m | 2024-25 £m |
|--|---------------|---------------|
| Fair value of fund assets (bid value) | 229.9 | 231.8 |
| Present value of defined benefit obligation | (116.1) | (109.9) |
| Net asset | 113.8 | 121.9 |
| Present value of unfunded obligations | (0.2) | (0.2) |
| Remeasurement of net defunded benefit pension asset for changes in asset ceiling | (101.8) | (118.1) |
| Net asset in the statement of Financial Position | 11.8 | 3.6 |

Due to insufficient evidence available for the purposes of the VOA financial statements audit, the C&AG's auditor opinion on the VOA accounts is qualified. 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:

| | 2025-26 | 2024-25 |
|----------------------------|------------------|------------------|
| | Department £m | Department £m |
| Legal claims | 145.3 | 132.5 |
| Dilapidations ¹ | 61.7 | 19.1 |
| Guaranteed costs | 0.2 | 0.6 |
| Other | 84.2 | 81.4 |

¹ Dilapidations were included within Other in 2024 to 2025.

Legal claims – Relate 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.

Dilapidations – Costs for dilapidation liabilities for private landlord leases which may be incurred when properties are vacated at the end of their contracts.

Guaranteed costs – Possible liability where appointed liquidators have been guaranteed payment of their costs with a view to recovery of outstanding tax liabilities. In 2025 to 2026, there were 29 cases (2024 to 2025, 34 cases).

Other – Further contingent liabilities where the department may incur a possible liability.

The department has unquantifiable contingent liabilities that arise in some legal claims because the outcome, timing, and financial impact of the related cases remain uncertain, and the department is unable to make a reliable estimate of any potential obligation at the reporting date.

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.

This year HMRC issued Transitional Support Scheme Loans to former employees (totalling £0.9 million) due to delays in pension payments being made by the new Civil Service Pension Scheme administrator, Capita, who took over administration of the scheme in December 2025. These loans are recognised as receivables on the SOFP. Due to the short-term nature of the loans HMRC has assessed the likelihood of default is negligible, and the time value of repayment is not material since our expectation is to fully recover the loans in the short-term.

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. Please see note 20 for changes to the Valuation Office Agency status as an executive agency.

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 non-remuneration transactions 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. The VOA ceased to exist as an executive agency on 31 March 2026, becoming Valuation Office group within HMRC. 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, (see page 12).

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 79 within the Governance statement. The following bodies are those within our accounting boundary for 2025 to 2026 that contribute to the departmental group.

| | | | | 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 | (319,033) | 32,497,832 | 32,192,193 | 66,416 | 3,689,014 | 2,379 | 51,433 |
| VOA | (59,238) | 323,312 | 264,398 | 3,652 ² | 213,429 | 658 ² | 23,979 |

¹ "Other staff" includes Fixed Term Appointments and Temporary Fixed Term Appointments.

² Staffing figures for VOA within this report are consistent with the approach adopted by HMRC. However, VOA has adopted a marginally different approach for staffing figures within the VOA 2025 to 2026 Annual Report and Accounts.

Annex 2: Statistical Tables

This table provides further detail by category on HMRC spending.

Table 1: Total departmental spending (£000)

| | 2021-22 Outturn | 2022-23 Outturn | 2023-24 Outturn | 2024-25 Outturn | 2025-26 Outturn | 2026-27 Plans |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| Resource DEL¹ | | | | | | |
| HMRC administration | 4,570,843 | 5,199,284 | 5,271,201 | 5,354,901 | 5,994,935 | 6,495,738 |
| VO Administration | 143,995 | 132,548 | 183,309 | 201,708 | 241,093 | – |
| Utilised provisions | 31,502 | 19,614 | 10,004 | 7,995 | – | – |
| National Insurance Fund | 251,344 | 259,413 | 277,222 | 274,510 | 317,713 | 242,429 |
| Cost of Living | – | 717,872 | 760,000 | -5,248 | -2,074 | – |
| COVID-19 | 719,062 | -110 | – | – | – | – |
| Total Resource DEL | 5,716,746 | 6,328,621 | 6,501,736 | 5,833,866 | 6,551,667 | 6,738,167 |
| <i>Of which:</i> | | | | | | |
| Staff costs | 2,862,995 | 3,265,139 | 3,477,418 | 3,613,969 | 4,052,509 | 4,418,057 |
| Purchase of goods and services | 1,842,658 | 1,903,404 | 1,907,881 | 1,787,446 | 1,990,405 | 2,632,954 |
| Income from sales of goods and services | -269,435 | -268,378 | -370,010 | -445,724 | -365,780 | -448,000 |
| Current grants to persons and non-profit bodies (net) | 743,791 | 720,321 | 757,241 | -4,654 | 4,309 | 2,028 |
| Current grants abroad (net) | 1,025 | 1,043 | 1,672 | 1,811 | 905 | 1,140 |
| Rentals | 277,172 | 159,943 | 112,242 | 112,550 | 97,413 | 94,514 |
| Depreciation ² | 174,352 | 478,237 | 532,926 | 694,842 | 696,420 | – |
| Other resource | 84,188 | 68,912 | 82,366 | 73,626 | 75,486 | 37,474 |
| | 5,716,746 | 6,328,621 | 6,501,736 | 5,833,866 | 6,551,667 | 6,738,167 |

¹ Outturn values are consistent with those reported in SoPS 1.1 on page 157.

² The depreciation plans in 2026 to 2027 reflect the updated HMT guidance which reclassifies depreciation and impairments from Resource DEL to Resource AME.

Note: The totals may differ to the information in the Statement of Parliamentary Supply due to rounding.

| | 2021-22 Outturn | 2022-23 Outturn | 2023-24 Outturn | 2024-25 Outturn | 2025-26 Outturn | 2026-27 Plans |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| Resource AME¹ | | | | | | |
| Child Benefit | 11,420,034 | 11,595,575 | 12,510,146 | 13,302,821 | 13,438,890 | 14,728,729 |
| Tax-Free Childcare | 428,406 | 494,401 | 635,340 | 617,876 | 599,977 | 638,375 |
| Gift aid small donations scheme | 25,000 | -72,029 | 25,000 | 35,000 | 25,038 | 40,000 |
| Stakeholder pensions | 105,003 | 80,002 | 148,626 | 157,610 | 176,456 | 182,121 |
| Lifetime ISA | 418,943 | 436,809 | 499,125 | 624,403 | 693,702 | 766,928 |
| Help to Save | 20,361 | 53,202 | 51,654 | 45,031 | 41,053 | 57,251 |
| HMRC administration | 8,072 | 33,808 | -3,987 | 120,587 | 199,912 | 738,710 |
| VOA – Business Rates for Diplomatic Missions & Organisations | 78,061 | 64,199 | 83,738 | 82,778 | 83,716 | 113,150 |
| VOA Administration | 1,010 | 1,082 | 853 | 898 | 764 | – |
| Utilised provisions | -31,510 | -19,615 | -14,730 | -7,997 | – | – |
| Personal tax credits | 10,605,481 | 8,834,945 | 7,307,214 | 2,669,737 | -160,155 | 1 |
| Corporation Tax Relief | 11,692,809 | 12,556,432 | 12,049,061 | 10,123,350 | 10,764,061 | 11,822,864 |
| Guardians Allowance | 3,792 | 3,914 | 4,221 | 4,306 | 4,228 | 4,613 |
| COVID-19 | 16,543,682 | -132,476 | -21,800 | -1,140 | -789 | – |
| Total Resource AME | 51,319,144 | 33,930,249 | 33,274,461 | 27,775,259 | 25,866,853 | 29,092,742 |
| <i>Of which:</i> | | | | | | |
| Purchase of goods and services | 83,492 | 68,188 | 89,053 | 87,917 | 89,053 | 120,750 |
| Income from sales of goods and services | -4,412 | -3,918 | -5,200 | -4,957 | -5,169 | -5,600 |
| Current grants to persons and non-profit bodies (net) | 39,076,439 | 21,426,819 | 21,311,587 | 17,456,784 | 14,819,189 | 16,418,018 |
| Subsidies to private sector companies | 12,186,849 | 12,423,956 | 11,897,211 | 10,122,209 | 10,763,272 | 11,822,864 |
| Depreciation ² | 9,514 | 12,752 | 12,208 | 11,604 | 35,437 | 726,710 |
| Take up of provisions | -2,222 | 22,067 | -15,327 | 108,983 | 174,040 | 50,000 |
| Release of provision | -31,299 | -19,615 | -15,071 | -7,099 | -8,969 | -40,000 |
| Other resource | 783 | - | - | -182 | - | - |
| | 51,319,144 | 33,930,249 | 33,274,461 | 27,775,259 | 25,866,853 | 29,092,742 |
| Resource budget¹ | | | | | | |
| Total Resource DEL | 5,716,746 | 6,328,621 | 6,501,736 | 5,833,866 | 6,551,667 | 6,738,167 |
| Total Resource AME | 51,319,144 | 33,930,249 | 33,274,461 | 27,775,259 | 25,866,853 | 29,092,742 |
| Total Resource budget | 57,035,890 | 40,258,870 | 39,776,197 | 33,609,125 | 32,418,520 | 35,830,909 |
| <i>Of which:</i> | | | | | | |
| Depreciation ² | 183,866 | 490,989 | 545,134 | 706,446 | 731,857 | 726,710 |

1 Outturn values are consistent with those reported in SoPS 1.1 on page 157.

2 The depreciation plans in 2026-27 reflect the updated HMT guidance which reclassifies depreciation and impairments from Resource DEL to Resource AME.

Note: The totals may differ to the information in the Statement of Parliamentary Supply due to rounding.

| | 2021-22 Outturn | 2022-23 Outturn | 2023-24 Outturn | 2024-25 Outturn | 2025-26 Outturn | 2026-27 Plans |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| Capital DEL¹ | | | | | | |
| HMRC administration | 643,880 | 524,552 | 695,753 | 686,362 | 832,549 | 872,633 |
| VOA administration | 20,650 | 31,848 | 29,364 | 41,709 | 43,172 | – |
| Total Capital DEL | 664,530 | 556,400 | 725,117 | 728,071 | 875,721 | 872,633 |
| <i>Of which:</i> | | | | | | |
| Purchase of assets | 982,938 | 644,473 | 805,498 | 750,944 | 891,065 | 913,633 |
| Income from sales of assets | -318,408 | -88,073 | -80,381 | -22,873 | -15,344 | -41,000 |
| | 664,530 | 556,400 | 725,117 | 728,071 | 875,721 | 872,633 |
| Capital AME¹ | | | | | | |
| Child Benefit | 7 | 1 | 2 | 2 | 2 | 10 |
| HMRC administration | – | – | – | – | 4,076 | 20,300 |
| VOA administration | - | - | - | - | 1,963 | – |
| Total Capital AME | 7 | 1 | 2 | 2 | 6,041 | 20,310 |
| <i>Of which:</i> | | | | | | |
| Capital grants to persons and non-profit bodies (net) | 7 | 1 | 2 | 2 | 6,041 | 20,310 |
| | 7 | 1 | 2 | 2 | 6,041 | 20,310 |
| Capital budget¹ | | | | | | |
| Total Capital DEL | 664,530 | 556,400 | 725,117 | 728,071 | 875,721 | 872,633 |
| Total Capital AME | 7 | 1 | 2 | 2 | 6,041 | 20,310 |
| Total Capital budget | 664,537 | 556,401 | 725,119 | 728,073 | 881,762 | 892,943 |

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)

| | 2021-22 Outturn | 2022-23 Outturn | 2023-24 Outturn | 2024-25 Outturn | 2025-26 Outturn | 2026-27 Plans |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| Resource DEL | | | | | | |
| HMRC administration | 828,681 | 948,413 | 918,850 | 1,002,674 | 1,102,494 | 1,100,832 |
| National Insurance Fund | 56,030 | 54,712 | 63,962 | 64,082 | 77,327 | 53,966 |
| Total administration budget | 884,711 | 1,003,125 | 982,812 | 1,066,756 | 1,179,821 | 1,154,798 |
| <i>Of which:</i> | | | | | | |
| Staff costs | 437,580 | 474,413 | 560,426 | 618,437 | 721,366 | 730,589 |
| Purchase of goods and services | 374,643 | 450,180 | 425,260 | 420,528 | 459,426 | 524,218 |
| Income from sales of goods and services | -94,887 | -59,763 | -89,116 | -117,781 | -132,888 | -112,804 |
| Current grants to persons and non-profit bodies (net) | 1,642 | 1,659 | 1,936 | 1,829 | 2,015 | – |
| Rentals | 110,563 | 39,512 | 24,279 | 58,013 | 37,646 | 15,147 |
| Depreciation | 30,933 | 86,522 | 50,496 | 73,795 | 78,203 | – |
| Other resource | 24,237 | 10,602 | 9,531 | 11,935 | 14,053 | -2,352 |
| | 884,711 | 1,003,125 | 982,812 | 1,066,756 | 1,179,821 | 1,154,798 |

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 | 2023-24 | 2024-25 | 2025-26 |
|--|----------------------|---------|---------|---------|
| Greenhouse gas emissions (tonnes CO ₂ e, 000s) | 88.4 | 30.6 | 29.9 | 27.5 |
| Direct building emissions (tonnes CO ₂ e, 000s) | 25.4 | 11.7 | 10.6 | 9.7 |
| Domestic flight emissions (tonnes CO ₂ e, 000s) | 2.2 | 0.9 | 1.0 | 1.0 |
| Paper purchased (A4 reams equivalent, 000s) | 295.3 | 30.2 | 28.3 | 25.0 |
| Water consumption (m ³ 000s) | 566.1 | 207.2 | 225.5 | 215.6 |
| Waste generated (tonnes, 000s excl. ICT) | 9.5 | 3.1 | 2.8 | 2.8 |
| Waste to landfill (% excl. ICT) | 1.9 | – | – | 0.0 |
| Waste recycled (% excl. ICT) | 81 | 68 | 69 | 64.5 |
| ICT waste recycled (tonnes) | 70.6 | 47.5 | 3.6 | 4.0 |
| ICT waste reused (tonnes) | 213.8 | 75.3 | 18.2 | 18.2 |

¹ This is in the baseline year for our GGC commitments.

Greenhouse gas emissions

| | 2023-24 | 2024-25 | 2025-26 |
|--|-------------------------------|---------|---------|
| Non-financial indicators | tCO₂e, 000s | | |
| Total gross emissions | 32.87 | 33.16 | 30.31 |
| Total net emissions | 20.47 | 20.77 | 19.68 |
| Gross emissions Scope 1 and 2 | 26.73 | 25.41 | 21.60 |
| Gross emissions Scope 3 (business travel) | 6.14 | 7.75 | 7.48 |
| Energy consumption | kWh, 000s | | |
| Electricity: non-renewable | 2,164 | 2,323 | 2,692 |
| Electricity: renewable | 55,135 | 54,969 | 54,871 |
| Gas | 62,559 | 57,432 | 52,170 |
| Oil | 820 | 300 | 290 |
| Whitehall District Heating | N/A | N/A | N/A |
| Enviroenergy District Heating | N/A | N/A | N/A |
| Stratford District Heating | 6,368 | 5,136 | 5,328 |
| Sheffield District Heating | N/A | N/A | N/A |
| Travel breakdown | tCO₂e, 000s | | |
| Road | 2.43 | 2.62 | 2.63 |
| Rail | 1.54 | 1.86 | 2.11 |
| Air (domestic and overseas) | 3.15 | 4.22 | 3.76 |
| | % of fleet | | |
| Ultra Low Emission Vehicles | 29 | 41 | 45 |
| Financial indicators | £000 | | |
| Expenditure on energy | 23,375 | 24,144 | 22,634 |
| Expenditure on accredited offset purchases | – | – | – |
| Expenditure on official business travel | 19,610 | 20,853 | 22,781 |

Waste¹

| | | 2023-24 | 2024-25 | 2025-26 |
|---------------------------------|---|--------------------|---------|---------|
| Non-financial indicators | | Tonnes 000s | | |
| Total waste (excl. ICT) | | 3.11 | 2.80 | 2.75 |
| Waste | Landfill | 0.00 | 0.00 | 0.00 |
| | Recycled/ composted | 2.13 | 1.92 | 1.78 |
| | Incinerated/ energy from waste | 0.99 | 0.88 | 0.97 |
| ICT waste | | 0.12 | 0.02 | 0.02 |
| Financial indicators* | | £000s | | |
| Total waste (excl. ICT) | | 174 | 157 | N/A |
| Waste | Landfill | – | – | N/A |
| | Recycled/ composted | 119 | 108 | N/A |
| | Incinerated/ energy from waste ¹ | 55 | 49 | N/A |
| ICT waste | | 661 | – | N/A |

* Following the implementation of a new contract for facilities management, reliable financial indicators data for 2025 to 2026 is not currently available.

Food waste

| | | 2024-25 | 2025-26 |
|--------------|---|---------|---------|
| | | – | – |
| Reuse | Redistribution for human consumption | – | – |
| | Animal feed | – | – |
| | Bio-based materials/Biochemical processing | – | – |
| | Other reuse | – | – |
| Waste | Anaerobic digestion/codigestion | 43.76 | 135.18 |
| | Composting/Aerobic processes | – | – |
| | Incineration/Controlled combustion | – | – |
| | Land application | – | – |
| | Landfill | – | – |
| | Sewer/Wastewater treatment | – | – |
| | Refuse/Discards/Litter (incl. dumping and unmanaged disposal) | – | – |
| | Other | – | – |
| | Total food waste | 43.76 | 135.18 |

¹ Figures may not sum due to rounding.

Finite resource consumption – water

| | | 2023-24 | 2024-25 | 2025-26 |
|-----------------------------|----------|--------------|---------|---------|
| Financial indicators | | £000s | | |
| Water consumption | supplied | 1,278 | 1,154 | 1,750 |

| | | 2023-24 | 2024-25 | 2025-26 |
|---------------------------------|----------|--------------|---------|---------|
| Non-financial indicators | | £000s | | |
| Water consumption | supplied | 207.2 | 225.5 | 215.60 |

Copier paper purchased

| | | 2023-24 | 2024-25 | 2025-26 |
|-----------------------------|--|--------------|---------|---------|
| Financial indicators | | £000s | | |
| | | 137 | 124 | 86 |

Air travel breakdown¹

| Non-financial indicators | 2023-24 | | | 2024-25 | | | 2025-26 | | |
|----------------------------|---------------|------------------|---------------------|---------------|------------------|---------------------|---------------|-------------------|---------------------|
| | No | Kms | mtCO ₂ e | No | Kms | mtCO ₂ e | No | Kms | mtCO ₂ e |
| Total domestic | 13,096 | 5,310,480 | 854.93 | 15,374 | 6,008,038 | 967.17 | 17,641 | 7,182,872 | 973 |
| Total international | 2,512 | 6,984,380 | 2,291.85 | 3,192 | 9,286,344 | 3,253.10 | 4,118 | 11,647,072 | 2,951 |
| Short haul economy | 1,158 | 1,243,080 | 227.32 | 1,627 | 1,773,122 | 324.25 | 1,900 | 2,130,924 | 268 |
| Short haul business | 27 | 36,635 | 10.05 | 49 | 65,714 | 18.03 | 60 | 127,669 | 195 |
| Short haul premium economy | – | – | – | – | – | – | 1 | 811 | 0 |
| Long haul economy | 563 | 2,629,894 | 527.55 | 399 | 1,952,200 | 390.65 | 356 | 1,667,260 | 195 |
| Long haul premium economy | 61 | 330,856 | 105.93 | 38 | 241,354 | 77.27 | 111 | 611,282 | 114 |
| Long haul business | 442 | 2,259,994 | 1,311.45 | 752 | 3,510,151 | 2,036.87 | 1,080 | 5,450,485 | 1,850 |
| Long haul first | 4 | 23,644 | 18.93 | 26 | 131,792 | 105.49 | 8 | 43,240 | 20 |
| International non-UK | 257 | 460,276 | 90.63 | 301 | 1,612,011 | 300.54 | 602 | 1,615,401 | 309 |

¹ Figures may not sum due to rounding.



National Audit Office

Report by the Comptroller and Auditor General

HM Revenue & Customs 2025-26 Accounts

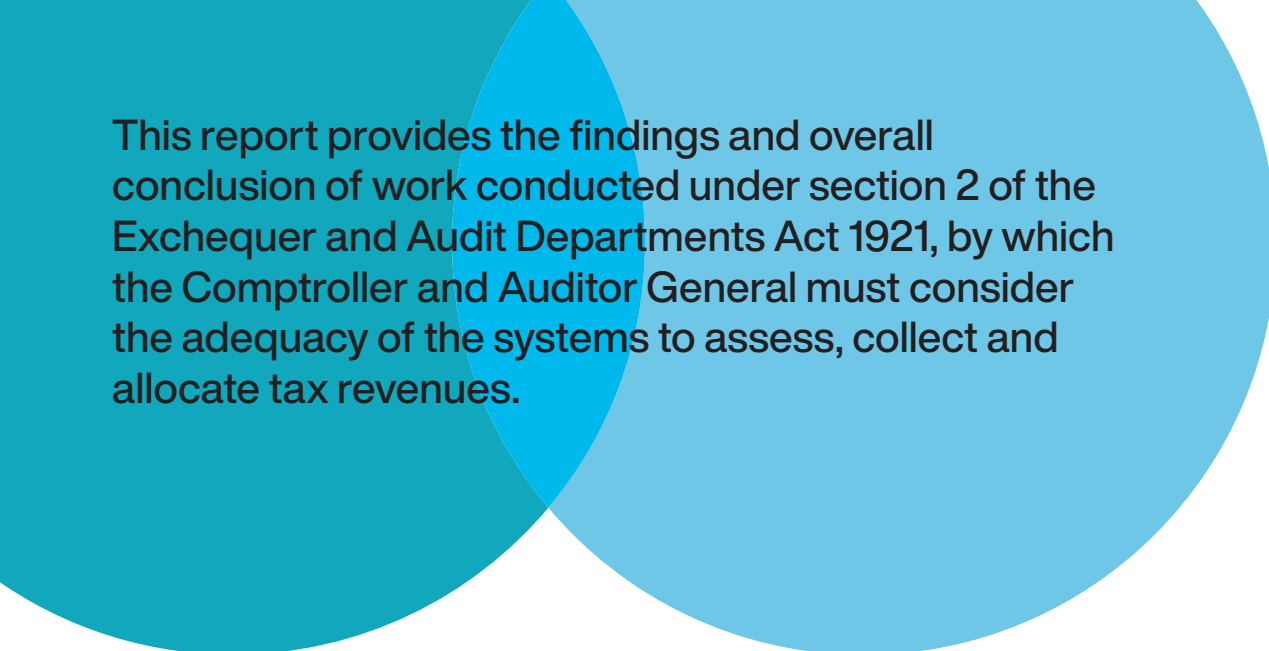
Report by the Comptroller and Auditor General

This report is published alongside the 2025-26 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

6 July 2026



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 | <p>HM Revenue & Customs (HMRC) reported £966.4 billion of tax revenues for 2025-26. 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:</p> <ul style="list-style-type: none"> the figures in the Trust Statement are true and fair; and HMRC has used income and expenditure for the purposes Parliament intended. <p>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.</p> |
| Resource Accounts | <p>The cost of running HMRC in 2025-26 was £7.4 billion. HMRC paid out £25.9 billion, including £13.4 billion of Child Benefit and development relief. 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:</p> <ul style="list-style-type: none"> 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); and there remains a material level of error and fraud in Child Benefit expenditure (Part Two). |
| Annual Report | <p>We reviewed HMRC's performance against its main objective of collecting tax revenues and considered the main components of the £966.4 billion raised during 2025-26 (Part One).</p> <p>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.</p> |

Summary

HM Revenue & Customs' performance, 2025-26

1 HM Revenue & Customs (HMRC) is responsible for administering the UK's tax system. HMRC's strategic objectives are to:

- close the tax gap;
- improve day-to-day performance and the overall customer experience;
- reform and modernise tax and customs administration;
- build a high-performing organisation, with a skilled and engaged workforce; and
- support wider government economic aims through its work.

2 This report sets out our factual commentary on HMRC's performance in 2025-26, 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 2025-26 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 revenues, 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 2025-26 objective of collecting revenues and managing compliance, and the main components of the £966.4 billion raised in 2025-26 (Part One);
- HMRC's customer service and debt management performance (Part One);
- progress with HMRC's Transformation Roadmap – HMRC's plan to deliver its long-term priorities (Part One);
- progress rolling out Making Tax Digital (MTD) – HMRC's flagship transformation project to introduce digital record keeping and tax returns (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 and Child Benefit (Part Two).

Summary findings

Total revenues

4 HMRC reported total tax revenues of £966.4 billion for 2025-26, the highest on record for the fifth successive year, representing a 10.3% increase on 2024-25. Total revenues increased by £90.4 billion compared with 2024-25 (£876.0 billion). This was largely driven by a £33.4 billion (19.8%) increase in National Insurance Contributions revenues, a £28.8 billion (9.3%) increase in Income Tax revenues, and an £11.4 billion (82.6%) increase in Capital Gains Tax revenues (paragraphs 1.2 and 1.3, and Figure 1).

5 HMRC's provisional estimates of the tax gap – the difference between the amount of tax that should be paid to HMRC, and what was actually paid – indicate it increased from £52.8 billion in 2023-24 to £59.2 billion in 2024-25.

As a proportion of tax due, it has increased from 6.0% to 6.4%. HMRC published its latest estimates of the tax gap in June 2026. This year, HMRC has also revised upwards its tax gap estimates for several earlier years, indicating that it had previously underestimated the amount of tax lost due to non-compliance. For each year from 2018-19 onwards, HMRC's 2026 tax gap estimate is higher than both the estimate it published in 2025 and the original estimate for that year. HMRC says that it revises its estimates in subsequent years to replace projections and extrapolations with outturn data and to implement improvements in its methodology. HMRC's 2024-25 tax gap estimate of 6.4% puts it at a similar level to 2009-10; however, given HMRC's recent history of upward revisions to earlier estimates, there is a possibility that the 2024-25 estimate could be revised upwards in future years. HMRC views the tax gap as a long-term indicator of compliance, rather than a reliable measure of year-on-year change (paragraphs 1.12 to 1.16, and Figures 3 and 4).

6 HMRC estimates that the yield from its compliance activities in 2025-26 was £50.2 billion, up 4.6% from 2024-25 and slightly lower than its target of £50.4 billion. Compliance yield measures the effectiveness of HMRC's compliance and enforcement activities. It is one of HMRC's main performance measures. The rise in compliance yield between 2024-25 and 2025-26 was particularly driven by increases in upstream yield, which represents HMRC's results from encouraging voluntary compliance and preventing non-compliance. HMRC's compliance yield in 2025-26 represents 5.2% of total revenues reported by HMRC, lower than the proportion seen in 2024-25 (5.5%) and in line with the five-year average of 5.2% achieved between 2015-16 and 2019-20 before the COVID-19 pandemic (paragraphs 1.17 to 1.25, and Figures 5 and 6).

7 Tax debt was £43.8 billion as at 31 March 2026, and as a proportion of annual tax receipts has decreased from 5.0% in March 2025 to 4.7% in March 2026.

However, HMRC estimates that nearly half of these debts will never be collected. The tax debt balance remains significantly higher than its 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 receipts. HMRC forecasts that it will reduce tax debt to between 3% and 4% of receipts by 2029-30. The tax debts owed to HMRC are, on average, significantly older than before the pandemic. At March 2026, around 45% of the tax debt balance by value was aged over a year, compared with 25% at March 2020. Older tax debts are less likely to be paid. HMRC recognises not all of the debt may be recovered from taxpayers. As at 31 March 2026, HMRC estimates that it may not be able to collect 45.5% of receivables, up from 43.8% at 31 March 2025. The amount of debt written off by HMRC increased from £6.0 billion in 2024-25 to £9.7 billion in 2025-26. HMRC also recorded £3.1 billion of remissions in 2025-26, up from £1.2 billion in 2024-25, representing revenues lost from HMRC deciding not to pursue a debt on value-for-money or hardship grounds (paragraphs 1.6 to 1.11, and Figure 2).

8 HMRC's customer service performance on the telephone greatly improved in 2025-26, supported by increased usage of digital services and less demand on the telephone. For the first time since it was introduced in 2021-22, HMRC met its target to handle 85% of taxpayers' attempts to speak to an adviser. It took 12:35 minutes on average for HMRC to answer each call in 2025-26, compared with 18:38 in 2024-25. There was a 13% reduction in calls received from taxpayers or their advisers in 2025-26, which HMRC credits to improvements in its digital services. In the most recent two years, the number of users of the HMRC app has doubled, from 3.8 million in 2023-24 to 7.6 million in 2025-26, and the number of logged-in sessions increased by nearly 80%. Improvements to digital services include a new digital appeals process for Self Assessment taxpayers and enhancements to the Child Benefit service to make payments quicker and simpler. Performance against overall customer experience was broadly in line with the previous year, with 79.4% of taxpayers surveyed in 2025-26 saying they were satisfied or very satisfied (2024-25: 79.7%), and with Net Easy (a score of how easy taxpayers felt it was to deal with HMRC, on a scale from -100 to 100) being 61.8 in 2025-26 (2024-25: 62.2) (paragraphs 1.26 to 1.31, and Figures 7, 8 and 9).

9 HMRC considers that it met 88% of the 2025-26 commitments that it set out to deliver its Transformation Roadmap. HMRC published its Transformation Roadmap in July 2025, which sets out how it will address three priorities: closing the tax gap, improving day-to-day performance for individuals and businesses, and driving reform and modernisation of the UK's tax and customs system. The roadmap includes HMRC's vision for the department by 2030, planned activities to help it achieve this vision, and performance metrics to monitor progress. HMRC plans to report progress against its metrics annually in its Annual Report and Accounts and updates on the roadmap. To achieve the ambitions set out in its roadmap, HMRC said it made 34 publicly stated commitments that were due for delivery by the end of March 2026. HMRC considers it has met 30 (88%) of these commitments (paragraphs 1.32 and 1.33, and Figure 10).

10 As at June 2026, around 41% of taxpayers in scope for MTD for Income Tax Self Assessment have registered with HMRC. MTD is HMRC's flagship transformation programme, launched in 2015-16. From April 2026, HMRC has been rolling out the Income Tax Self Assessment phase of MTD, requiring sole traders and landlords with annual incomes from self-employment and property over £50,000 to maintain digital accounting records and submit quarterly returns to HMRC using compatible software. HMRC's data indicate that 864,000 taxpayers are in scope for the first phase of MTD for Income Tax Self Assessment and therefore required to sign up with HMRC. As at June 2026 around 356,000 taxpayers had signed up, or 41% of taxpayers in scope. HMRC expects that well over half of taxpayers in scope will have signed up by August 2026 when the first quarterly returns will be due. HMRC told us it has planned activities, such as social media campaigns, webinars and an agent outreach programme, to raise awareness of MTD among taxpayers affected (paragraphs 1.34 to 1.36).

Error and fraud in Corporation Tax research and development (R&D) reliefs and Child Benefit

11 The C&AG has qualified his opinion on the regularity of HMRC's 2025-26 Resource Accounts due to the material level of error and fraud in Corporation Tax 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 £475 million, or 5.3% of related expenditure (2024-25: £442 million, or 5.3% of related expenditure). The estimated rate of error and fraud has nearly halved since 2022-23, when it was 9.9% of related expenditure. Claims made by small- and medium-sized businesses typically have a higher rate of error and fraud compared with claims made by large businesses. This is seen in the higher rate of error and fraud for the small- and medium- sized enterprise (SME) and enhanced R&D intensive support (ERIS) schemes (11.0% of related expenditure in 2025-26) compared with the old and merged R&D expenditure credit (RDEC) schemes (4.4% of related expenditure). HMRC's estimates for 2025-26 take into account changes in patterns of expenditure and assumptions about the impact of recent changes to the schemes and rates of relief available. It will not know the full impact of these changes until it has completed a sample of enquiries on 2025-26 returns (paragraphs 2.3 to 2.14, and Figure 11).

12 The C&AG has also qualified his opinion on the regularity of HMRC's 2025-26 Resource Accounts due to the material level of error and fraud in Child Benefit expenditure. HMRC estimates that, in 2025-26, the overall level of error and fraud resulting in overpayments of Child Benefit amounted to 2.0% of expenditure, the same as in 2024-25. This equates to overpayments of £270 million (2024-25: £270 million) (paragraphs 2.16 to 2.26, and Figure 12).

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 2025-26, HMRC had in place and carried out adequate regulations and procedures that provided an effective check on how it assesses, collects and allocates revenue. This assurance is subject to the observations we make in this report, and our other reports to Parliament, on specific aspects of how HMRC administers taxes.

14 For the fifth successive year, HMRC reported record tax revenues in 2025-26. As a proportion of the total taxes brought in, the level of tax debts owed to HMRC decreased from the previous year, although HMRC does not expect to collect nearly half of the debts remaining in its tax debt balance. The tax gap increased from 6.0% of theoretical tax liabilities in 2023-24 to 6.4% in 2024-25, the latest data available, and may rise further when HMRC revises the data in subsequent years. HMRC's customer service performance on the telephone, for several years one of HMRC's biggest challenges, greatly improved in 2025-26 and met its annual target. HMRC is rolling out the next phase of its flagship transformation programme, Making Tax Digital, to sole traders and landlords with annual incomes over £50,000. As at June 2026 two fifths of those required to sign up have done so. The levels of error and fraud in Corporation Tax research and development reliefs and Child Benefit expenditure remain material and have, again, resulted in qualification of the C&AG's audit opinion.

Part One

Performance in 2025-26

1.1 This part of the report sets out HM Revenue & Customs' (HMRC's) performance in 2025-26 in collecting revenues due and managing compliance. Performance is measured by the revenues reported in HMRC's Trust Statement, and by the tax gap and compliance yield, as disclosed in its Annual Report. This part also covers customer service and debt management performance for 2025-26 as reported by HMRC, and the progress HMRC has made to date against its Transformation Roadmap and rolling out Making Tax Digital.

Total revenues in 2025-26

1.2 HMRC reported £966.4 billion in revenues in 2025-26 (£876.0 billion in 2024-25). Revenues have now increased to their highest reported level for the fifth successive year (**Figure 1**).^{1,2} Total revenues increased by £90.4 billion (10.3%), driven by the following increases in personal income tax revenues.

- An increase of £33.4 billion (19.8%) in revenues from National Insurance Contributions (NICs), reflecting higher employer NICs following measures announced by the government in the October 2024 Budget. These include a 1.2 percentage point rise in the employer NICs rate and a reduction in the annual per-employee threshold from £9,100 to £5,000 from 2025-26.
- An increase of £28.8 billion (9.3%) in Income Tax revenues. This reflects growth in annual earnings combined with frozen tax thresholds. This has contributed to an increase in the number of Income Tax payers, with an additional 1.1 million people paying Income Tax in 2025-26 compared with 2024-25.
- An increase of £11.4 billion (82.6%) in Capital Gains Tax revenues. At the Autumn Budget 2024, the basic rate of Capital Gains Tax increased from 10% to 18% and the higher rate increased from 20% to 24%, for disposals made on or after 30 October 2024. The financial year 2025-26 was the first full financial year subject to these higher rates.

VAT and Corporation Tax revenues also increased in 2025-26, by £8.4 billion (4.7%) and £5.7 billion (6.4%) respectively.

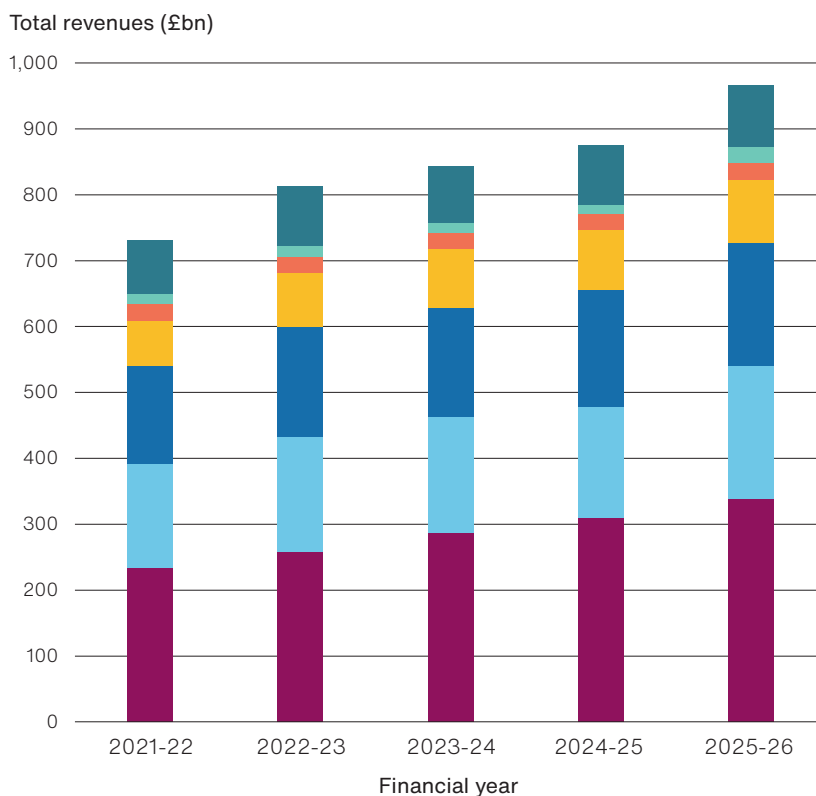
1 HMRC records revenues in the Trust Statement on an accruals basis, other than for those taxes disclosed in Note 1.2 of the Trust Statement accounts. Accounting for tax on an accruals basis means that the revenue figures reported relate to tax due on earned income or activities during the financial 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.

2 HMRC restated its 2024-25 revenue figures in its 2025-26 accounts due to a change in accounting policy for Corporation Tax reliefs. The effect of this restatement was to increase Corporation Tax revenues, and hence total revenues, by £0.1 billion compared with the revenues reported in its 2024-25 accounts.

Figure 1

Total revenues reported by HM Revenue & Customs (HMRC), 2021-22 to 2025-26

In 2025-26, total revenues were 10.3% higher than in 2024-25



| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|---|--------------|--------------|--------------|--------------|--------------|
| Income Tax (£bn) | 233.4 | 258.0 | 286.2 | 309.4 | 338.2 |
| National Insurance Contributions (£bn) | 158.3 | 175.8 | 177.0 | 168.8 | 202.2 |
| VAT (£bn) | 148.8 | 166.9 | 165.5 | 178.5 | 186.9 |
| Corporation Tax (£bn) | 68.3 | 80.5 | 89.6 | 89.7 | 95.4 |
| Hydrocarbons oils duty (£bn) | 25.8 | 25.0 | 24.9 | 24.7 | 24.9 |
| Capital Gains Tax (£bn) | 15.8 | 17.0 | 14.3 | 13.8 | 25.2 |
| Other (£bn) | 80.7 | 90.8 | 85.9 | 91.1 | 93.6 |
| Total revenues (£bn) | 731.1 | 814.0 | 843.4 | 876.0 | 966.4 |
| Change in total revenues from previous year (%) | | 11.3 | 3.6 | 3.9 | 10.3 |
| Change in total revenues from previous year (£bn) | | 82.9 | 29.4 | 32.6 | 90.4 |

Notes

- 'Other' includes, for example, Stamp Taxes, Inheritance Tax, alcohol and tobacco duties, Insurance Premium Tax, student loan recoveries, environmental taxes, customs duties, and fines and penalties.
- Values are in nominal terms to maintain consistency with HMRC's Annual Report and Accounts.
- HMRC restated its 2024-25 revenue figures in its 2025-26 accounts due to a change in accounting policy for Corporation Tax reliefs. The effect of this restatement was to increase Corporation Tax revenues by £0.1 billion compared with the revenues reported in its 2024-25 accounts. This restatement will, in theory, also affect previous years, but HMRC has not restated these figures in its accounts.

Source: National Audit Office analysis of HM Revenue & Customs Trust Statements 2021-22 to 2025-26

1.3 In March 2026, the Office for Budget Responsibility (OBR) forecast that National Accounts taxes in 2025-26 would increase by 9.4% (£94.8 billion) compared with 2024-25, largely reflecting higher Income Tax and NICs receipts.³ While broadly similar, the OBR's forecast is not directly comparable with the growth rate in revenues of 10.3% 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.

Receivables, impairments and revenue losses

Receivables

1.4 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 2026, the receivables balance was £70.1 billion (March 2025: £69.0 billion).

1.5 In addition to receivables, HMRC estimates that a further £162.9 billion of taxes at 31 March 2026 (£146.9 billion at March 2025) will be due in future years relating to 2025-26 revenues for which the taxpayer was not yet required to submit a tax return when the reporting period ended.⁴ Of this, £66.6 billion related to Income Tax and £51.0 billion to VAT.

Tax debt

1.6 When a receivable becomes overdue for payment and is not under appeal, it becomes a debt. As at 31 March 2026, HMRC's tax debt balance was £43.8 billion, £1.0 billion (2.4%) more than the tax debt reported at 31 March 2025 (**Figure 2**). As a proportion of annual tax receipts, tax debt decreased slightly from 5.0% to 4.7% between March 2025 and March 2026. 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 receipts. 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.

1.7 The tax debts owed to HMRC are, on average, significantly older than before the pandemic. At March 2026, around 45% of the tax debt balance by value was aged over a year, compared with 25% at March 2020. Older debts increased marginally in 2025-26, with 23% of debts at March 2026 being three years or older, compared with 20% at March 2025.⁵ There is a risk that older debts are less likely to be paid.

³ Office for Budget Responsibility, *Economic and fiscal outlook*, March 2026.

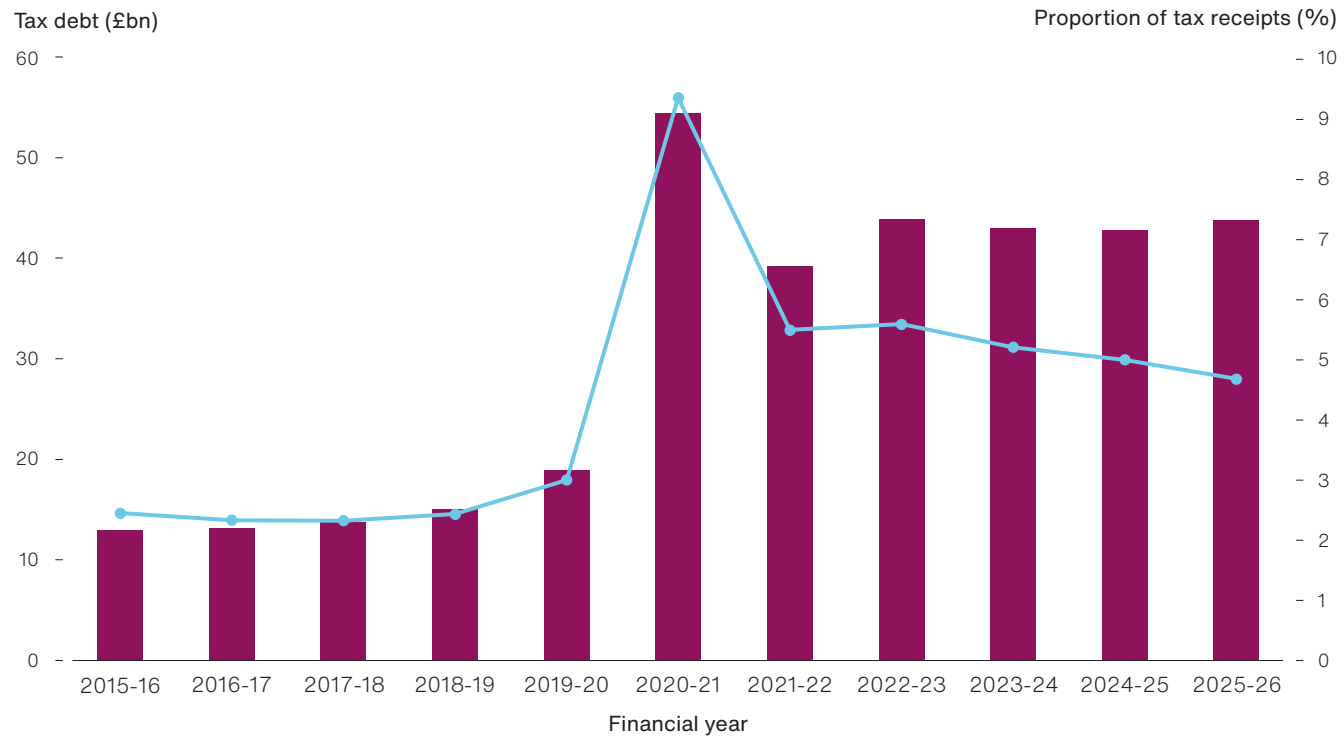
⁴ HMRC's restatement of its 2024-25 Corporation Tax revenue figures means that the amount reported here for 31 March 2025 (£146.9 billion) is £1.2 billion lower than the amount reported in HMRC's 2024-25 accounts.

⁵ Estimates based on operational data provided by HMRC.

Figure 2

Tax debt balance, 2015-16 to 2025-26

Tax debt has decreased as a proportion of tax receipts in each financial year since 2022-23, but remains higher than pre-pandemic levels



■ Tax debt balance (£bn)

● Tax debt balance as a proportion of tax receipts (%)

Notes

- 1 Data are as at the end of each financial year.
- 2 HM Revenue & Customs defines tax debt as the amount of tax that is overdue for payment, legally enforceable and collectable.

Source: National Audit Office analysis of HM Revenue & Customs data

1.8 HMRC considers that the level of debt that is within a Time to Pay arrangement (where HMRC has agreed a payment plan with the customer in debt), is a good indicator of its debt management performance. It is part of the total tax debt balance. At March 2026, £6.5 billion of tax debt was within a Time to Pay arrangement, up from £5.7 billion at March 2025. HMRC says it expects customers who can pay their tax debts in full to do so, but can offer Time to Pay arrangements to those who are finding it difficult.

1.9 In November 2025, HMRC published an update to its tax debt strategy in which it set an aim to reduce tax debt year on year as a percentage of receipts. The strategy update highlights challenges faced by HMRC's debt management directorate, including an increase in taxpayers missing payment deadlines but ultimately paying their liabilities, which HMRC say is largely preventable, and an increase in debtors not engaging with HMRC despite repeated contact attempts. HMRC forecasts that, with the interventions set out in its strategy, it will reduce tax debt to between 3% and 4% of receipts by 2029-30. We intend to report further on HMRC's management of tax debt in our upcoming value for money report on the topic in autumn 2026.

Impairments

1.10 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 it may not be able to collect increased from £30.2 billion in 2024-25 to £31.9 billion in 2025-26. As a percentage of all receivables, the impairment increased from 43.8% to 45.5%. The increase in the impairment reflects the increase in new debts, existing debts getting older and so less likely to be collectable, and HMRC for the first time including interest on unpaid debt in its impairment calculation.

Losses

1.11 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. Total revenue losses increased by 77% from £7.2 billion in 2024-25 to £12.8 billion in 2025-26. There are two forms of revenue losses: write-offs of £9.7 billion during 2025-26 (£6.0 billion in 2024-25) and remissions of £3.1 billion in 2025-26 (£1.2 billion in 2024-25). 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. HMRC says revenue losses are mainly driven by individual and corporate insolvencies. While the number of individual insolvencies increased by 11% in 2025-26 (or 13,500 more insolvencies), the number of corporate insolvencies decreased by 2% (or 400 fewer insolvencies). More than one-third (£4.6 billion) of revenue losses in 2025-26 relate to debts that had been approved for write-off or remission, but that HMRC had not processed before the end of the financial year. This was the first year that HMRC included these 'pre-losses' within revenue losses.

Tax compliance

Tax gap

1.12 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”.⁶ 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.

6 HM Revenue & Customs' Measuring tax gaps 2026 edition is available at: www.gov.uk/government/statistics/measuring-tax-gaps.

1.13 On 23 June 2026, HMRC published its latest estimates for the tax gap. It has estimated that the tax gap for 2024-25 – the latest year for which data are available – was 6.4% of total theoretical tax liabilities, or £59.2 billion against total theoretical liabilities of £924.4 billion. This represents an increase from £52.8 billion (6.0% of total theoretical tax liabilities) in 2023-24. HMRC says the 2023-24 and 2024-25 estimates are provisional because of uncertainty in the data. It therefore views the tax gap as a long-term indicator of compliance, rather than a reliable measure of year-on-year change. HMRC's latest estimates show that, although the tax gap has reduced over the long term from 7.5% in 2005-06, it has trended upwards since 2017-18, in both cash terms and as a proportion of theoretical liabilities (**Figure 3**). HMRC has identified evidence that it may have understated the small business Corporation Tax gap for years before 2019-20, and therefore these years may not be directly comparable with later years. It has published an indicative range above its tax gap estimates prior to 2019-20 which indicates that its current estimates of the tax gap for these years could be incorrect and may be revised upwards in future years.

1.14 By customer group, small businesses make up the majority (62%) of the total tax gap in 2024-25, in line with recent years. The most prevalent form of non-compliance was failure to take reasonable care, which accounted for £20.8 billion (35%) of the total tax gap in 2024-25, up from £11.1 billion (28%) in 2019-20.

1.15 This year, HMRC has also revised upwards its tax gap estimates for several earlier years, indicating that it had previously underestimated the amount of tax lost due to non-compliance. For each year from 2018-19 onwards, HMRC's 2026 tax gap estimate is higher than both the estimate it published in 2025 and the original estimate for that year (**Figure 4** on page R18). HMRC says that it revises its estimates in subsequent years to replace projections and extrapolations with outturn data and to implement improvements in its methodology. HMRC's 2024-25 tax gap estimate of 6.4% puts it at a similar level to 2009-10; however, given recent upwards revisions to the tax gap estimates there is a possibility that the 2024-25 estimate could be revised upwards in future years.

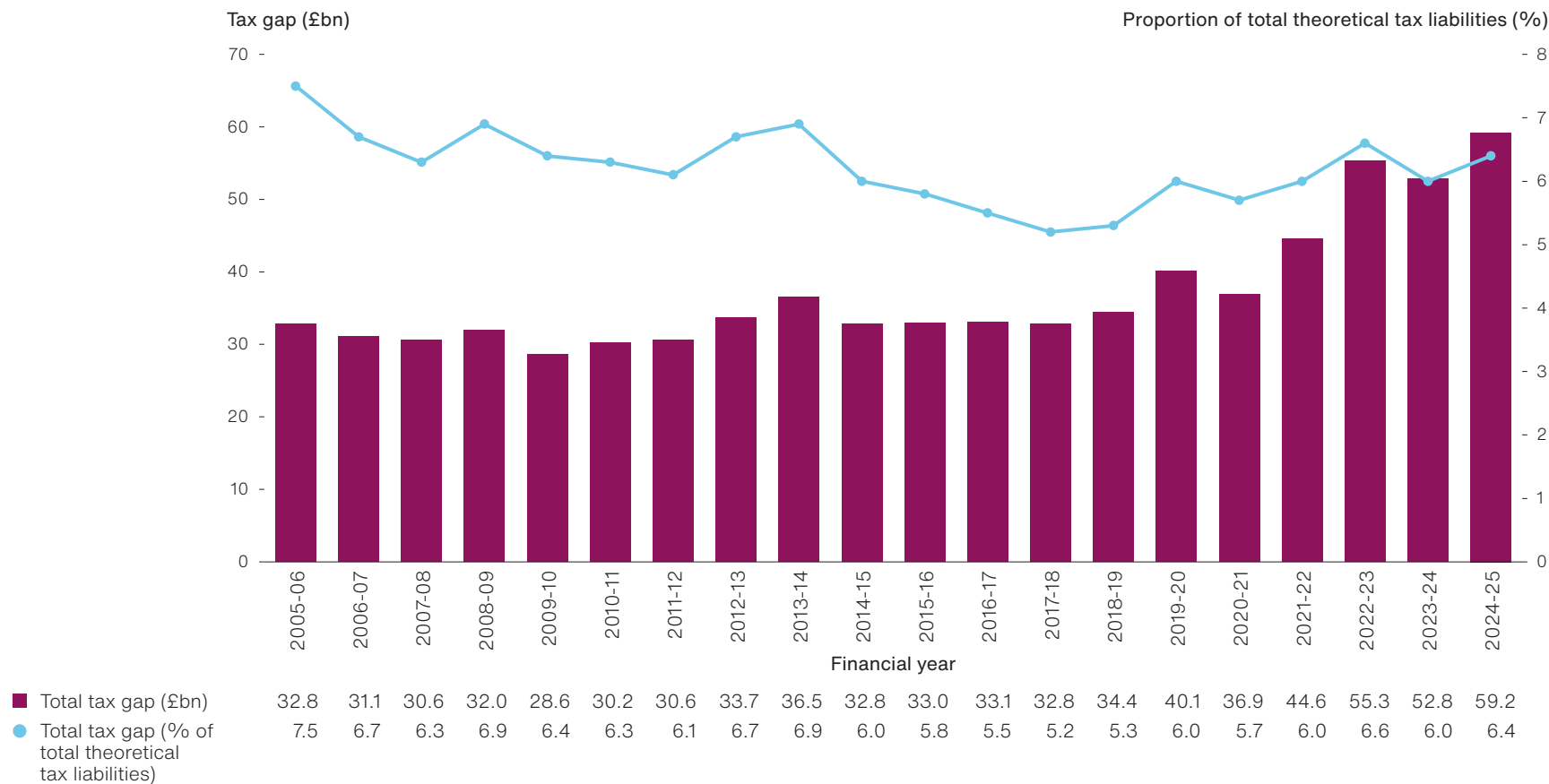
1.16 In October 2024, HMRC published its first estimate of undeclared foreign income held in offshore accounts, part of the offshore tax gap. HMRC estimated that, in 2018-19, £300 million in tax was lost due to UK residents failing to disclose their foreign income from some accounts held in countries automatically exchanging account information with the UK in 2017 and 2018. 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.⁷ HMRC is progressing work to improve its understanding of the offshore tax gap, including engagement with academic experts and consideration of options to strengthen and broaden existing estimates. HMRC expects to publish further estimates in 2027.

⁷ Comptroller and Auditor General, *Collecting the right tax from wealthy individuals*, Session 2024-25, HC 876, National Audit Office, May 2025.

Figure 3

HM Revenue & Customs' (HMRC's) 2026 estimates of the total tax gap, 2005-06 to 2024-25

HMRC's latest estimates show that the tax gap has reduced over the long term from 7.5% of total theoretical tax liabilities in 2005-06, but has trended upwards since 2017-18 in cash terms and as a proportion of theoretical liabilities



Notes

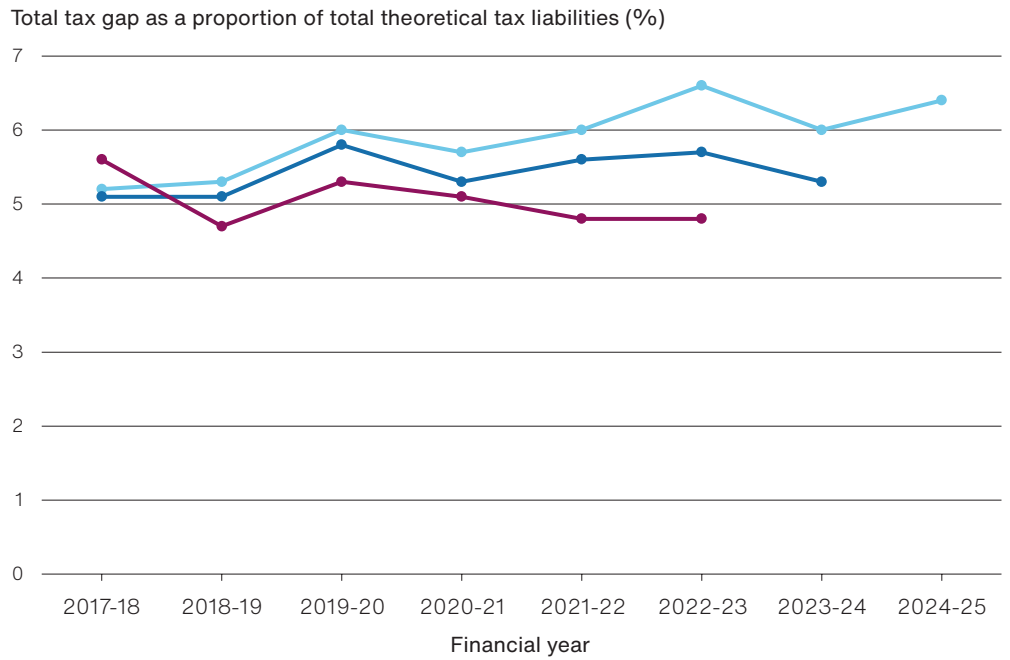
- The tax gap is HMRC's estimate of the difference between the total taxes theoretically owed and those actually paid.
- 'Total theoretical tax liabilities' is HMRC's estimate of the total amount of tax theoretically owed. The tax gap is generally presented as a proportion of this.
- HMRC has marked its 2023-24 and 2024-25 estimates as provisional because of uncertainty in the data.
- HMRC has identified evidence that it may have understated the small business Corporation Tax gap for years before 2019-20, and therefore these years may not be directly comparable with later years. It has published an indicative range above its tax gap estimates prior to 2019-20 which indicates that its current estimates of the tax gap for these years could be incorrect and may be revised upwards in future years. This is available at www.gov.uk/government/statistics/measuring-tax-gaps at the time of publication.
- The values presented are in nominal terms, meaning they have not been adjusted for inflation.

Source: National Audit Office presentation of HM Revenue & Customs data

Figure 4

HM Revenue & Customs' (HMRC's) revisions to its tax gap estimates, 2017-18 to 2024-25

For each year from 2018-19 onwards, HMRC's 2026 estimate is higher than both the estimate it published in 2025 and the original estimate for that year



| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| ● Tax gap - original estimates (%) | 5.6 | 4.7 | 5.3 | 5.1 | 4.8 | 4.8 | | |
| ● Tax gap - 2025 estimate (%) | 5.1 | 5.1 | 5.8 | 5.3 | 5.6 | 5.7 | 5.3 | |
| ● Tax gap - 2026 estimate (%) | 5.2 | 5.3 | 6.0 | 5.7 | 6.0 | 6.6 | 6.0 | 6.4 |

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 tax liabilities' is HMRC's estimate of the total amount of tax theoretically owed. The tax gap is generally presented as a proportion of this.
- 3 HMRC revises previous years' estimates of the tax gap each year. '2026 estimate' is HMRC's latest estimate at the time of publication; '2025 estimate' is the estimate HMRC produced in 2025; and 'original estimates' refer to the estimates it first published for each year.

Source: National Audit Office analysis of HM Revenue & Customs data

Compliance activities and compliance yield

1.17 Compliance activities can take many different forms. These can include disrupting organised criminal groups and 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).

1.18 HMRC measures the effectiveness of its compliance and enforcement activities through compliance yield – that is, the estimate of the additional revenues that HMRC considers it generated, and the revenue losses it prevented. Its agreed target with HM Treasury and ministers for compliance yield in 2025-26 was set at a level to reduce the tax gap in line with funding HMRC has received at fiscal events to achieve this. Total compliance yield in 2025-26 was £50.2 billion, a 4.6% increase compared with 2024-25 (£48.0 billion).

1.19 Compliance yield for 2025-26 was slightly lower than the target of £50.4 billion. HMRC has generally overperformed against its yield targets in previous years. HMRC exceeded its target in two of the three financial years between 2022-23 and 2024-25, resulting in a net overperformance of £1.9 billion across the period. HMRC did not agree yield targets in 2020-21 and 2021-22 (due to uncertainty caused by the pandemic) but it exceeded its target in each of the five financial years between 2015-16 and 2019-20. HMRC's provisional compliance yield target for 2026-27 is £50.9 billion.

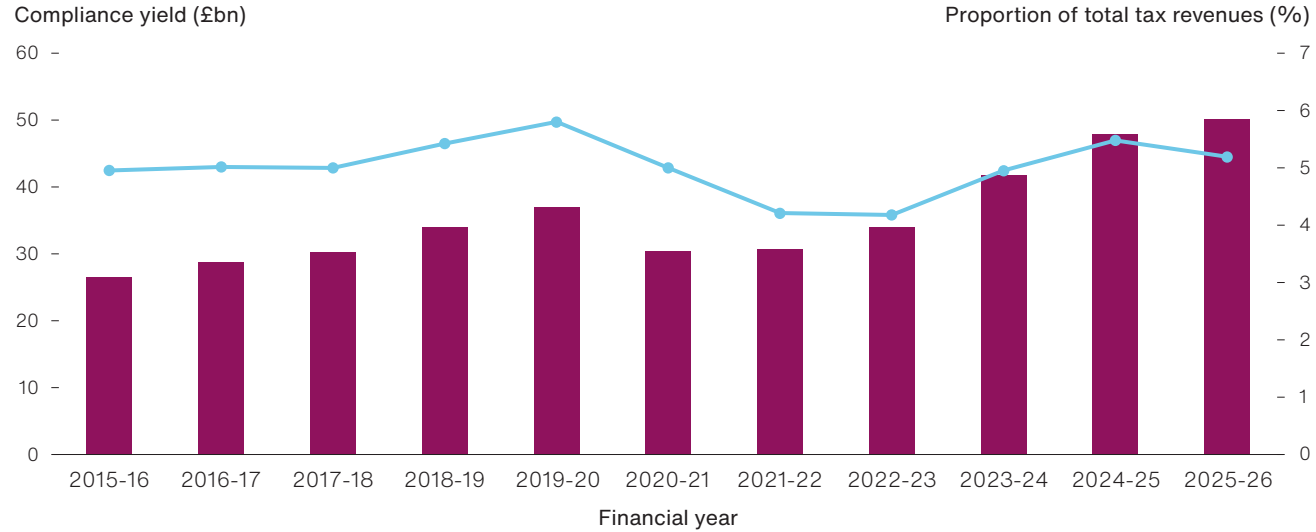
1.20 HMRC's compliance yield in 2025-26 represents 5.2% of total revenues. This is lower than the proportion seen in 2024-25 (5.5%) and in line with the five-year average of 5.2% achieved between 2015-16 and 2019-20 before the pandemic (**Figure 5** overleaf).

1.21 HMRC uses two main approaches to improve tax compliance: upstream compliance work to encourage voluntary compliance and prevent non-compliance before it happens, and downstream compliance work to identify and tackle non-compliance after it has happened. HMRC's compliance strategy is to focus increasingly on upstream work, which it considers more cost-effective and better for taxpayers if it helps them to get their tax right the first time. The rise in compliance yield was driven particularly by increases in upstream yield, which increased by 7.9% (or £1.5 billion) in 2025-26 compared with 2024-25, while downstream yield increased by 2.3% (or £0.7 billion) (**Figure 6** on page R21). HMRC achieved its target, which was that its upstream work should contribute at least 25% of total compliance yield: in 2025-26, the upstream yield constituted 42% of HMRC's compliance yield, up from 41% in 2024-25.

Figure 5

Compliance yield compared with total revenues, 2015-16 to 2025-26

HM Revenue & Customs (HMRC) achieved a compliance yield of £50.2 billion in 2025-26, representing 5.2% of total revenues



| | | | | | | | | | | | |
|--|------|------|------|------|------|------|------|------|------|------|------|
| ■ Compliance yield (£bn) | 26.6 | 28.9 | 30.3 | 34.1 | 36.9 | 30.5 | 30.8 | 34.0 | 41.8 | 48.0 | 50.2 |
| ● Compliance yield as a proportion of total tax revenues (%) | 5.0 | 5.0 | 5.0 | 5.4 | 5.8 | 5.0 | 4.2 | 4.2 | 5.0 | 5.5 | 5.2 |

Notes

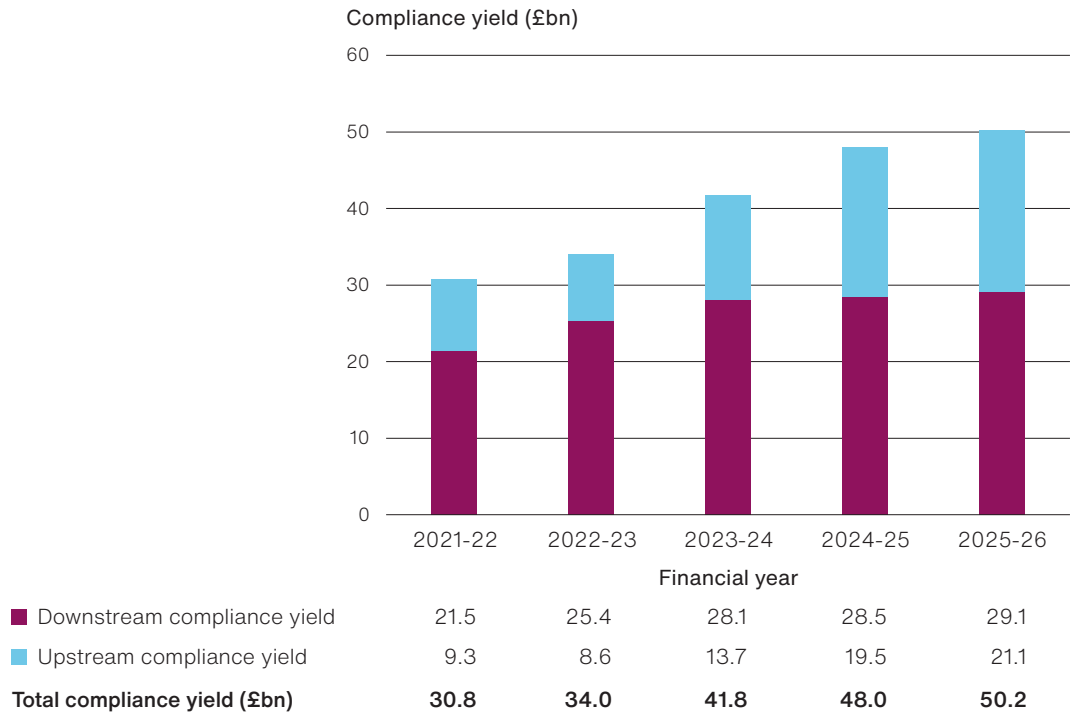
- 1 Compliance yield is defined by HMRC as the revenues collected and protected that would otherwise have been lost to the Exchequer if not for its interventions.
- 2 Values are in cash terms and have not been adjusted for inflation, to align with conventional reporting of tax revenues. To illustrate 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

Figure 6

Compliance yield performance by category, 2021-22 to 2025-26

HM Revenue & Customs (HMRC) reports that upstream yield increased by 7.9% (£1.5 billion) in 2025-26 compared with 2024-25, while downstream yield increased by 2.3% (£0.7 billion)

**Notes**

- 1 Compliance yield is defined by HMRC as the revenues collected and protected that would otherwise have been lost to the Exchequer if not for its interventions.
- 2 'Upstream' compliance yield is HMRC's estimate of the effect of its activities undertaken to promote compliance and prevent non-compliance before it occurs. These activities include, for example, legislative changes to close tax loopholes, educational activities that promote compliance, and nudges and prompts to taxpayers completing returns. Upstream yield also contains HMRC's estimate of the deterrent effect of some of the litigation cases decided in favour of HMRC.
- 3 'Downstream' compliance yield is HMRC's estimate of the effect of its activities undertaken to intervene after non-compliance has occurred, primarily through its compliance investigations. It includes additional revenues paid to HMRC when it identifies past non-compliance, revenues HMRC has prevented from being lost to the Exchequer, and estimates of the effect of HMRC's compliance work on taxpayers' future behaviour from previous interventions.
- 4 Values are in cash terms and have not been adjusted for inflation.

Source: National Audit Office analysis of HM Revenue & Customs data

1.22 HMRC takes individual action against taxpayers it considers to have been non-compliant. In 2025-26, HMRC opened 299,000 compliance cases (2024-25: 333,000) and closed 306,000 (2024-25: 316,000). It told us that it had a total of 148,000 open compliance cases as at 31 March 2026, compared with 157,000 at the end of 2024-25. 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.

1.23 Across the Autumn Budget 2024 and Spring Statement 2025, the government allocated HMRC £1.5 billion in funding to recruit 5,500 more compliance staff by 2029-30. This additional investment in compliance staff is expected to contribute towards HMRC delivering an additional £10 billion in tax revenues annually by 2029-30.⁸ HMRC plans to increase the compliance workforce primarily by expanding its entry-level trainee programme, which involves an initial nine-month training period. HMRC expects new staff to be fully productive after four years. HMRC has so far recruited more than 2,100 of the 5,500 additional staff, including more than 1,600 in 2025-26. HMRC explained that it is ahead of its planned trajectory due to lower-than-expected attrition rates and higher-than-expected acceptance rates.

1.24 HMRC expects its funding for additional staff to help increase its criminal investigation work. In March 2025, the government set HMRC the aim to increase the number of positive charging decisions for the most harmful fraud by 20%, from 500 decisions per year (achieved in 2023-24) to 600 by 2029-30.⁹ While the number of charging decisions increased to 557 in 2024-25, it dropped to 468 in 2025-26. However, HMRC told us that it remains confident it will achieve its 2029-30 target. Not all positive charging decisions lead to prosecutions. There were 300 prosecutions in 2025-26 as a result of HMRC's criminal investigations, compared with 310 in 2024-25.¹⁰

1.25 In February 2026, we reported on HMRC's compliance work with large businesses.¹¹ We concluded that HMRC's use of dedicated customer compliance managers provides an effective relationship with large businesses and that HMRC's approach offers good value for money. HMRC is considering expanding this approach to cover more businesses, for which we recommended it should carry out detailed planning, analysis and testing.

8 The £10 billion in additional revenues also includes £2.4 billion from measures announced in the Autumn Budget 2025, which are not reliant on an increase in compliance staff.

9 Positive charging decisions are the actual decisions made by independent prosecuting authorities to authorise the charging of an individual. There were 501 positive charging decisions in 2023-24; the four-year average between 2022-23 and 2025-26 is 490.

10 Prosecutions are the total number of cases that have gone before the courts, including pre-trial guilty pleas. Given the time needed to build a case and for the courts to hear it, a prosecution will likely not be in the same financial year as its preceding positive charging decision. Therefore the numbers of positive charging decisions and prosecutions given here are not directly comparable.

11 Comptroller and Auditor General, *Taxing large businesses*, Session 2024-26, HC 1647, National Audit Office, February 2026.

Customer service performance

Customer experience

1.26 Overall customer experience in 2025-26 was broadly in line with recent years. Some 79.4% of taxpayers surveyed said they were satisfied or very satisfied, just below HMRC's target of 80% (**Figure 7**).¹² Net Easy, a score of how easy taxpayers felt it was to deal with HMRC (on a scale from -100 to 100), showed a similar trend, with 2025-26 performance (61.8) similar to 2024-25 (62.2) and below HMRC's target of 65. Once and done, a measure of whether taxpayers felt they achieved all they wanted during the contact, was also stable; HMRC does not set a target for this metric.

Figure 7

HM Revenue & Customs' (HMRC's) performance in customer experience metrics, 2021-22 to 2025-26

Overall customer experience in 2025-26 was broadly in line with recent years

| Metric | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Target for 2025-26 |
|---|---------|---------|---------|---------|---------|--------------------|
| Overall customer satisfaction ¹ | 82.0% | 79.2% | 78.6% | 79.7% | 79.4% | 80% |
| Net Easy (ease of dealing with HMRC) ² | +65.5 | +59.8 | +59.2 | +62.2 | +61.8 | +65 |
| Once and Done (whether a customer achieved all they wanted during the contact) ³ | | 84.4% | 84.0% | 85.5% | 85.6% | - |

Notes

- ¹ 'Overall customer satisfaction' refers to 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.
- ² 'Net Easy' is calculated by HMRC from 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.
- ³ 'Once and Done' refers to the proportion of customers who responded "yes" when asked whether they were able to achieve what they needed to that day. HMRC does not set a target for this measure.

Source: National Audit Office analysis of HM Revenue & Customs data

Digital performance

1.27 HMRC's strategy for customer services is to encourage customers to use digital and self-serve channels where they are able to, with its adviser-led channels, notably telephone services, aimed at those customers who need extra support or assistance with complex queries. In 2025-26, HMRC introduced a range of improvements to its digital services, including a clear timeline of tax events in the Personal Tax Account, a new digital appeals process for Self Assessment taxpayers to speed up decisions, and enhancements to the Child Benefit service to make payments quicker and simpler. HMRC aims for at least 90% of all customer interactions to be through digital self-serve channels by 2029-30. In 2025-26, this proportion had increased to 78.0%, which HMRC said was ahead of the trajectory needed to meet its ambition. Increased use of the HMRC app has driven this increase: the number of users of the app has increased from 2023-24 (3.8 million users) to 2025-26 (7.6 million users), with the number of logged-in sessions increasing from 88.5 million in 2023-24 to 158.8 million in 2025-26.

1.28 Taxpayers' satisfaction with HMRC's digital services has been broadly consistent, with 82.1% of customers surveyed in 2025-26 rating their experience as satisfied or very satisfied (**Figure 8**). HMRC generally meets the demand for webchat when it is offered to customers, with 95.6% of attempts handled, but its use reduced further, from 0.96 million webchats submitted in 2024-25 to 0.79 million in 2025-26.

Figure 8

HM Revenue & Customs' (HMRC's) performance in digital customer service metrics, 2021-22 to 2025-26

Adoption of digital channels increased in 2025-26, while satisfaction with them remained high

| Metric | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--|---------|---------|---------|---------|---------|
| | (%) | (%) | (%) | (%) | (%) |
| Digital channel adoption ¹ | 63.4 | 66.6 | 73.2 | 76.2 | 78.0 |
| Customer satisfaction with digital services ² | 83.6 | 82.7 | 83.1 | 82.9 | 82.1 |
| Webchat adviser attempts handled ³ | 92.9 | 94.7 | 95.9 | 94.3 | 95.6 |

Notes

- ¹ 'Digital channel adoption' refers to the proportion of all customer interactions with HMRC that are through automated or digital self-serve channels.
- 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 they had used. This is based on a self-selecting sample of customers.
- ³ 'Webchat adviser attempts handled' refers to the proportion of customers taking up a webchat offer who successfully got through to a webchat adviser.
- ⁴ HMRC does not set a target for the measures included in this figure, although it has set a long-term target of 90% for digital channel adoption by 2029-30.

Source: National Audit Office analysis of HM Revenue & Customs data

Telephony and correspondence

1.29 In 2025-26, HMRC met its target of handling 85% of taxpayers' attempts to speak to an adviser. This was the first time HMRC had met this annual target, which it introduced in 2021-22. Performance in February and March 2026, following the Self Assessment deadline of 31 January, was particularly strong. HMRC took 12:35 minutes on average to answer each call in 2025-26, compared with 18:38 in 2024-25. Contributing to this was a 13% reduction in calls received from taxpayers or their advisers compared with 2024-25, which it credits to improvements in its digital services. HMRC also said that better anticipation of and planning for fluctuations in demand on its telephone lines had helped improve performance.

1.30 Performance in responding to correspondence was slightly below target levels, though improved since 2024-25 (**Figure 9**). HMRC cleared 79.4% within 15 working days (target: 80%) where a response was needed, and 89.0% within 40 working days (target: 95%). HMRC told us it received 19.8 million total items of correspondence in 2025-26, down from 20.5 million in 2024-25.

Figure 9

HM Revenue & Customs' (HMRC's) performance in telephony and correspondence metrics, 2021-22 to 2025-26

HMRC's telephony performance has improved since 2023-24

| Metric | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | Target for 2025-26 |
|--|---------|---------|---------|---------|---------|--------------------|
| Telephony adviser attempts handled ¹ | 77.3% | 71.1% | 66.4% | 71.5% | 85.1% | 85% |
| Average speed of answering calls to HMRC helplines (queue times in minutes and seconds) ² | 12:22 | 16:24 | 23:14 | 18:38 | 12:35 | – |
| Percentage of customers waiting more than 10 minutes to speak to an adviser ² | 46.3% | 62.7% | 70.7% | 60.6% | 48.2% | – |
| Customer correspondence (post and iForms) cleared within 15 working days of receipt ³ | 45.5% | 72.7% | 76.3% | 76.9% | 79.4% | 80% |
| Customer correspondence (post and iForms) cleared within 40 working days ³ | 64.1% | 89.4% | 88.9% | 88.2% | 89.0% | 95% |

Notes

- ¹ 'Telephony adviser attempts handled' refers to the proportion of callers who got through to an adviser after hearing the automated messages and choosing the option to speak to an adviser.
- ² 'Average speed of answering calls' refers to the average time customers spent in the queue waiting to speak to an adviser. Both metrics exclude the time customers spent in HMRC's automated telephony system before entering the queue. HMRC does not set a target for either of these measures.
- ³ HMRC calculates correspondence clearance time as targeted post and iForms requiring a response to the customer cleared within 15 and 40 working 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.

Source: National Audit Office analysis of HM Revenue & Customs data

Making efficiencies in customer services

1.31 HMRC is aiming to make £211 million in efficiency savings over the course of the 2025 Spending Review period, which covers day-to-day spending until 2028-29, and capital investment until 2029-30. For 2025-26, HMRC told us it delivered £30 million in savings. This still leaves £181 million to deliver in the next three years. HMRC told us that large transformation and digital programmes have helped drive efficiency savings so far, as has reduced demand for its telephone services.

Transformation and reform

HMRC's Transformation Roadmap

1.32 The Exchequer Secretary to the Treasury has set HMRC three priorities: closing the tax gap, improving day-to-day performance for individuals and businesses, and driving reform and modernisation of the UK's tax and customs system. In July 2025, HMRC published its Transformation Roadmap, which set out its vision against these priorities and what activities it has planned to realise that vision by 2030. The roadmap also includes performance metrics HMRC will use to monitor progress, which it plans to report progress against each year through its Annual Report and Accounts and updates on the Transformation Roadmap.

1.33 Figure 10 shows HMRC's ambitions by 2030 and its performance in 2025-26 against the metrics it has assigned to monitor progress against them. To achieve the ambitions set out in its roadmap, HMRC said it made 34 publicly stated commitments (for example, introducing new IT services and making changes to processes) which were due for delivery by the end of March 2026. HMRC considers that 30 (88%) of these commitments have been met.

Making Tax Digital

1.34 Making Tax Digital (MTD) is HMRC's flagship transformation programme, launched in 2015-16. The programme's initial aims were to maximise tax revenues, make sustainable cost savings and improve customer service by modernising HMRC's systems for three taxes – VAT, Income Tax Self Assessment and Corporation Tax, although the government has since decided not to introduce MTD for Corporation Tax. HMRC intended to move its tax systems and tax records onto a modern tax management platform, and require business taxpayers to keep and submit quarterly digital tax records. We last reported on progress with MTD in June 2023, when we concluded that it had the potential to bring about a step-change in efficiency and effectiveness. However, HMRC's initial time frame, to introduce MTD for all three business taxes by 2020 was unrealistic, and the programme was repeatedly delayed and rephased, increasing costs.¹³

¹³ Comptroller and Auditor General, *Progress with Making Tax Digital*, Session 2022-23, HC 1319, National Audit Office, June 2023.

Figure 10

HM Revenue & Customs' (HMRC's) performance against its Transformation Roadmap ambitions in 2025-26

The Transformation Roadmap sets out HMRC's vision against its three priorities and the activities it has planned to achieve that vision by 2030

| HMRC priority | Ambitions by 2030 | Performance against metrics in 2025-26 |
|--|---|---|
| Closing the tax gap | <ul style="list-style-type: none"> Collect £10 billion of additional tax revenues per year from compliance activities. Reduce the debt balance year on year as a percentage of receipts. | <p>Provisional tax gap in 2024-25: £59.2 billion (6.4% of total theoretical tax liabilities), up from £52.8 billion (6.0%) in 2023-24.</p> <p>Compliance yield: £50.2 billion in 2025-26, up from £48.0 billion in 2024-25.</p> <p>Tax debt: £43.8 billion (4.7% of tax receipts) as at 31 March 2026. This is up in cash terms but down as a percentage of receipts compared with 31 March 2025 (£42.8 billion, 5.0% of receipts).</p> |
| Improving day-to-day performance and the overall customer experience | <ul style="list-style-type: none"> Be a digital-first organisation where at least 90% of customer interactions take place digitally. Achieve customer satisfaction score of 80%, its current service standard. | <p>Proportion of customer service interactions made through digital self-serve: 78.0% in 2025-26, up from 76.2% in 2024-25.</p> <p>Customer satisfaction score: 79.4% in 2025-26, broadly in line with 79.7% in 2024-25.</p> |
| Reforming and modernising tax and customs administration | <ul style="list-style-type: none"> Be an agile, high performing organisation with modern data and technological capabilities. Have a highly skilled and engaged workforce with access to quality tools and training. Achieve a technical health maturity score of at least 4 out of 5. | <p>Technical health maturity score: 3.3 out of 5, no change from 2024-25.</p> |

Notes

- The tax gap is HMRC's estimate of the difference between the total taxes theoretically owed and those actually paid.
- Compliance yield is defined by HMRC as the revenues collected and protected that would otherwise have been lost to the Exchequer if not for its interventions.
- Technical health maturity score is HMRC's assessment of the technical health of live services on HMRC's IT estate. It is derived from a 16-question survey completed by HMRC service owners and managers on a six-monthly basis, where officials self-report the technical health of services on a 1-5 scale.

Source: National Audit Office analysis of HM Revenue & Customs data

1.35 MTD for VAT has been fully operational since April 2022. HMRC requires all VAT registered businesses to maintain digital accounting records and submit quarterly VAT returns using compatible software. HMRC has been rolling out the Income Tax Self Assessment phase of MTD from April 2026, when this same requirement for maintaining digital records and submitting quarterly returns started for sole traders and landlords with annual incomes from self-employment and property over £50,000. HMRC plans to mandate MTD for sole traders and landlords with annual incomes over £30,000 in April 2027, before reducing this threshold to £20,000 in April 2028.

1.36 HMRC's data indicate that 864,000 taxpayers are in scope for the first phase of MTD for Income Tax Self Assessment and therefore required to sign up with HMRC. As at June 2026, around 356,000 taxpayers had signed up, or 41% of those in scope. HMRC expects that well over half of taxpayers in scope will have signed up by August 2026, when the first quarterly returns will be due. HMRC told us that the rate of taxpayers signing up to MTD is in line with its expectations. HMRC has stated publicly that it will not apply penalties to taxpayers if they submit late, or fail to submit, quarterly updates during 2026-27, but will still apply penalties for late annual returns or late payment. HMRC is continuing activities – such as social media campaigns, webinars and an agent outreach programme – to raise awareness of MTD among taxpayers affected.

Part Two

Corporation Tax research and development reliefs and Child Benefit

2.1 This part sets out the reason and context for the qualified regularity opinion for Corporation Tax research and development (R&D) reliefs and Child Benefit, including an overview of HM Revenue & Customs' (HMRC's) estimates for error and fraud (and the developments in tackling) error and fraud in the administration of these schemes, as applicable.

2.2 In previous years, the Comptroller and Auditor General (C&AG) has also qualified his opinion on regularity due to material levels of error and fraud in Personal Tax Credits. On 5 April 2025, Personal Tax Credits closed and have been fully replaced by Universal Credit, which is administered by the Department for Work & Pensions (DWP). As a result, HMRC made no Personal Tax Credits payments from 5 April 2025 and therefore did not produce an estimate of error and fraud.

Corporation Tax R&D reliefs

2.3 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 seek to make an advance in the field. 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. Typically, claims made by small- and medium-sized businesses have seen higher rates of error and fraud compared with those made by large businesses.

2.4 HMRC operates Corporation Tax R&D reliefs 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, unlike most other types of tax relief.

2.5 The R&D relief schemes have been subject to multiple changes in recent years. Prior to April 2024, HMRC operated two schemes: R&D expenditure credit (RDEC), targeted primarily at large companies, and the small- and medium-sized enterprise (SME) scheme. For accounting periods beginning on or after 1 April 2024, these schemes were replaced by a merged RDEC scheme, which all companies can claim, and an enhanced R&D intensive support (ERIS) scheme targeted at loss-making SMEs.¹⁴ However, there remains a period in which companies may also make claims under the previous RDEC and SME schemes, reflecting transitional rules because of the time lag in companies incurring expenditure and submitting claims.

2.6 Note 3.1.3 to the Resource Accounts records Corporation Tax R&D reliefs expenditure of £8.0 billion in 2025-26 (£7.6 billion in 2024-25). HMRC estimates that the vast majority (87%) of expenditure in 2025-26 was claimed through the merged RDEC scheme, reflecting the narrower criteria required to claim under the ERIS scheme.

Qualification of the C&AG's audit opinion on the regularity of Corporation Tax R&D reliefs expenditure

2.7 The Corporation Tax Act 2009 specifies the eligibility criteria for R&D reliefs that companies can claim. Where error and fraud result in HMRC overpaying 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.

2.8 For the purposes of this year's accounts, HMRC has produced a revised estimate of error and fraud in R&D reliefs for 2023-24 and an initial, illustrative estimate for 2025-26.¹⁵ HMRC has also produced an updated illustrative estimate for 2024-25. **Figure 11** shows the latest estimates available for the last four financial years, for each scheme.

¹⁴ More information on these schemes can be found at www.gov.uk/guidance/research-and-development-rd-tax-relief-the-merged-scheme-and-enhanced-rd-intensive-support

¹⁵ HMRC first estimated error and fraud for 2023-24 for the purpose of financial reporting in its 2023-24 Annual Report and Accounts.

Figure 11

Estimated value and rate of error and fraud in Corporation Tax research and development (R&D) relief schemes, 2022-23 to 2025-26

The total value of error and fraud in 2025-26 is broadly the same as in 2024-25, though a significant proportion has shifted from the enhanced R&D intensive support (ERIS) scheme to the merged R&D expenditure credit (RDEC) scheme, reflecting the changes in eligibility for the schemes

| | | Final estimates based on HM Revenue & Customs' (HMRC's) Mandatory Random Enquiry Programmes (MREPs) | | Projected estimates based on MREPs | |
|--------------------------------------|---|---|------------|------------------------------------|------------|
| | | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
| Value of error and fraud (£ million) | Small- and medium-sized enterprise (SME)/ERIS schemes | 652 | 347 | 253 | 131 |
| | RDEC/merged RDEC schemes | 107 | 146 | 189 | 344 |
| | <i>(of which) Large Business claims only</i> | 21 | 47 | 62 | 66 |
| | Overall | 759 | 493 | 442 | 475 |
| Rate of error and fraud (%) | SME/ERIS schemes | 14.7 | 11.1 | 11.0 | 11.0 |
| | RDEC/merged RDEC schemes | 3.3 | 3.2 | 3.1 | 4.4 |
| | <i>(of which) Large Business claims only</i> | 0.8 | 1.3 | 1.3 | 1.3 |
| | Overall | 9.9 | 6.4 | 5.3 | 5.3 |

Notes

- 1 Prior to 2024-25, HMRC operated two R&D relief schemes: RDEC, targeted primarily at large companies, and the SME scheme. For accounting periods beginning on or after 1 April 2024, these schemes were replaced by a merged RDEC scheme, which all companies can claim, and the ERIS scheme targeted at loss-making SMEs. However, there remains a period in which companies may also make claims under the previous RDEC and SME schemes, reflecting transitional rules and the time lag in companies incurring expenditure and submitting claims.
- 2 HMRC's estimates for 2022-23 and 2023-24 relate to the error and fraud in the previous RDEC and SME schemes, while its estimates for 2024-25 and 2025-26 relate to error and fraud in the merged RDEC and ERIS schemes.
- 3 HMRC has estimated the value of error and fraud in 2023-24 through the results of a sample of claims submitted in those financial years as part of its MREP. These claims relate to expenditure incurred by claimants in 2022-23. As these are based on an MREP, HMRC assesses these estimates as its most statistically robust estimates.
- 4 HMRC has also produced illustrative estimates for 2024-25 and 2025-26 based on the MREP results from 2022-23, changes in patterns of R&D expenditure between 2022-23 and 2025-26 and assumptions about the impact of recent changes to the schemes and the rates of relief available.
- 5 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.
- 6 HMRC produces separate estimates of error and fraud for large companies and SMEs. Both types of companies can claim under the RDEC scheme (for example, where SME scheme conditions are not met or the SME chooses to claim RDEC) and merged RDEC scheme (which is available to all companies).
- 7 Numbers may not sum due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs data

- HMRC's revised estimate for 2023-24 was based on the results of a Mandatory Random Enquiry Programme (MREP) on claims made in 2023-24, relating to accounting periods ending in 2022-23 made by small- and medium-sized businesses, and a desk-based review of RDEC claims made by large businesses since 2023-24 and prior years where necessary. This indicates that error and fraud in R&D reliefs was £493 million, or 6.4% of related expenditure in that year; £347 million of this relates to the SME scheme. This compares with HMRC's original, illustrative 2023-24 estimate of £601 million (£475 million SME), or 7.8% of related expenditure. HMRC estimates that, in 2023-24, error and fraud in R&D reliefs could have been as high as £860 million (11.1%) or as low as £297 million (3.8%). Its central estimate for error and fraud on the SME scheme was 11.1%, which remains amongst the highest reported across all government spending programmes.
- HMRC's illustrative estimate for 2025-26 is £475 million, or 5.3% of the related expenditure. Of this, £131 million relates to the SME and ERIS schemes (11.0% of related expenditure) and £344 million to the old and merged RDEC schemes (4.4% of related expenditure). This compares with its updated estimate for 2024-25, which was £442 million or 5.3% of related expenditure. To produce its 2025-26 estimate, HMRC has projected the results from its MREP relating to claims made in 2023-24 on to expenditure in 2025-26, accounting for changes in patterns of R&D expenditure between 2023-24 and 2025-26. These changes are partly driven by changes in the schemes themselves and the rates of relief available on each scheme, but HMRC will not know the full impact of these changes until it has completed and evaluated its random enquiries on 2025-26 returns. This will most likely be reported in HMRC's 2028-29 annual report and accounts, given its current lagged reporting. HMRC says this initial estimate for 2025-26 should be viewed as illustrative only, and as a result does not produce confidence intervals for it.

2.9 In the C&AG's view, the level of error and fraud in Corporation Tax R&D reliefs indicated by HMRC's illustrative 2025-26 estimate is material by reference to the related expenditure, and he has qualified his audit opinion on that basis. The C&AG has now qualified his regularity opinion on this basis every year since 2019-20, the first year HMRC produced an estimate of error and fraud in those reliefs.

HMRC's methodology for estimating error and fraud in Corporation Tax R&D reliefs

Claims made by small- and medium-sized businesses

2.10 The current MREP approach on SME claims, which HMRC has been carrying out since 2022-23, represents good practice in the measurement of error and fraud and provides a more accurate assessment compared to HMRC's previous approach.

2.11 HMRC's estimate for 2023-24 is based on a sample of random enquiries into claims made in 2023-24 as part of its third random enquiry programme (MREP 3), which relate to claims with an accounting period ending in 2022-23. 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, means it has not been able to use the most recent claims available. While HMRC has undertaken a fourth MREP (MREP 4), only 61% of enquiries in the sample had been closed when HMRC produced its estimate for 2025-26, and so HMRC did not consider it robust enough to include.

2.12 In MREP 3, HMRC selected a stratified random sample of 350 claims filed between 1 November 2023 and 29 February 2024.¹⁶ HMRC used information from MREP 1 and MREP 2 to revise its approach, and so sampled proportionally more claims with a high claim value, which were previously identified to have a higher level of error and/or fraud. Of the 350 claims, HMRC had closed 334 investigations at the time it produced the estimate, a closure rate of 95.4%. HMRC estimated the yield from the remaining 16 open cases based upon the caseworkers' assessment of the likely outcome, and included this in its overall estimate. Of the 334 claims that HMRC reviewed, 109 (33%) 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.¹⁷

2.13 Claims included in MREP 3 are claims made after HMRC introduced the additional information form (AIF), a mandatory form that companies must submit alongside their R&D relief claims. The AIF collects further details on the company making a claim, such as their unique taxpayer reference, accounting period dates, main contact details, use of any tax agent, and R&D project descriptions. HMRC told us it considers this requirement for companies to provide more information has helped reduce the number of non-compliant claims.

¹⁶ 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.

¹⁷ For MREP 1 and MREP 2, 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 told us that the results of this QA work indicated it did not need to continue the QA for MREP 3 or any subsequent years. HMRC reviews the outcome of all sampled claims prior to closure as part of its standard processes.

Claims made by large businesses

2.14 To estimate error and fraud in RDEC claims made by large businesses, HMRC had previously used an assumption-based method, by applying administrative data to the Corporation Tax gap estimate for large businesses. For its revised estimate for 2023-24, however, HMRC used experienced large business R&D caseworkers to review a sample of large business RDEC claims across a number of tranches. HMRC selected a stratified random sample of 108 cases across four tranches, and successfully carried out 106 desk reviews. This improvement has provided a more accurate estimate of error and fraud in RDEC claims made by large businesses, as reflected in an increase in error and fraud percentage between 2022-23 and 2023-24 (Figure 11).

Developments in tackling error and fraud in Corporation Tax R&D reliefs

2.15 Over recent years, HMRC has made substantial investment in tackling the high levels of error and fraud present in Corporation Tax R&D reliefs. Through its reduced estimates of error and fraud within the schemes, observed since 2022-23, HMRC is beginning to see the impact of compliance and legislative changes made in recent years. There are currently no further changes planned, and HMRC told us it is reviewing the results of recent MREPs to consider whether the measures taken have gone far enough.

Child Benefit

2.16 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 number of children who can be on a claim for Child Benefit.

2.17 Child Benefit is payable regardless of an individual's income. However, those with higher incomes are required to pay the High Income Child Benefit Charge (HICBC), or can opt out of receiving Child Benefit. In 2025-26, the threshold for starting to pay the HICBC was £60,000 (the same as in 2024-25) assessed against the higher earner of a claimant and their partner. For those earning above £80,000, the value of HICBC is the same as the Child Benefit entitlement, so claimants would receive no additional financial benefit from continuing to receive Child Benefit. The HICBC thresholds remain unchanged for 2026-27.

2.18 In 2025-26, HMRC's expenditure on Child Benefit was £13.4 billion (2024-25: £13.3 billion), making it the largest expenditure stream 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 2025-26, due to the increase in weekly rates, with the rate for the eldest or only child increasing from £25.60 to £26.05 per week and the rate for other children increasing from £16.95 to £17.25. In August 2025, HMRC estimated that 6.9 million families were in receipt of Child Benefit payments, with these families claiming the benefit for 11.7 million children (August 2024: 6.9 million families and 11.9 million children).

Qualification of the C&AG's audit opinion on the regularity of Child Benefit expenditure

2.19 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.

2.20 Based on the results of its random enquiries, HMRC estimates that in 2025-26 the overall level of error and fraud resulting in overpayments of Child Benefit amounted to 2.0% of the associated expenditure, or £270 million (2024-25: 2.0% or £270 million) (**Figure 12** overleaf). HMRC's estimate of error and fraud comprises two distinct categories:

- 0.8% (£105 million) relating to claimants who responded to HMRC's enquiries, who HMRC has found to be ineligible for Child Benefit (2024:25: 0.8% or £110 million); and
- 1.2% (£160 million) relating to claimants who did not respond to HMRC's enquiries, and who, based on its further analysis, HMRC estimates are not entitled to Child Benefit (the same rate and value as in 2024-25).

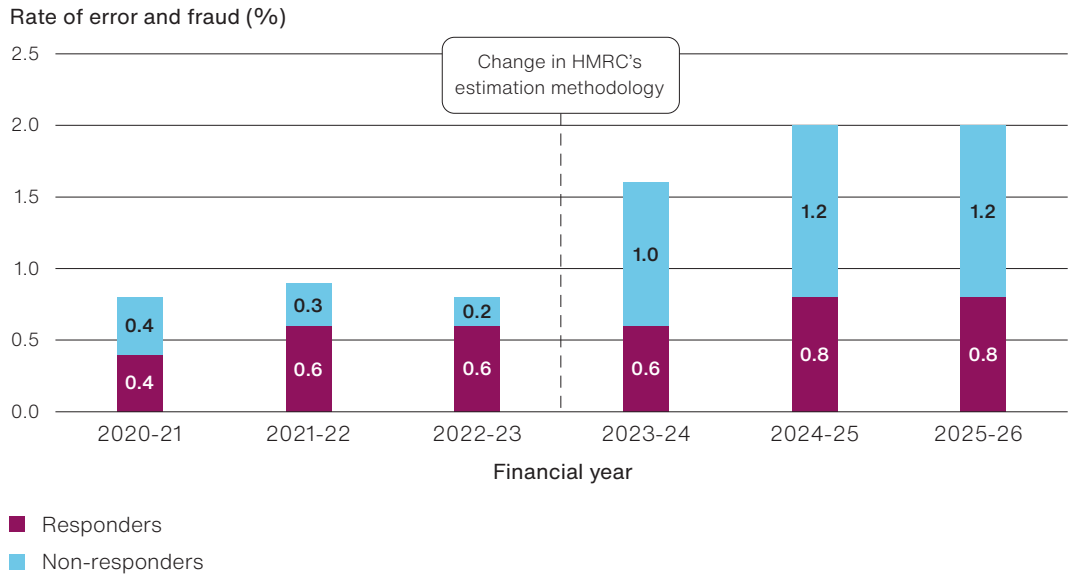
2.21 HMRC's estimate of the overpayment rate in 2025-26 of 2.0% is in the middle of its forecast range, which estimates that Child Benefit error and fraud could be as high as 2.5% or as low as 1.5%. This is unchanged from 2024-25.

2.22 In the C&AG's view, the overall estimated value of overpayments in 2025-26 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.

Figure 12

Rate of error and fraud in Child Benefit payments, 2020-21 to 2025-26

HM Revenue & Customs' (HMRC's) estimate of error and fraud in Child Benefit payments in 2025-26 was 2% of expenditure, in line with its estimate for 2024-25



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 2025-26, the sample size was 2,700. HMRC says this sample size leads to a high degree of uncertainty. For 2025-26, 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 respond to HMRC's enquiries and so provided no evidence of eligibility. 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. Estimates made prior to the changes are therefore not comparable with those made after the changes.

Source: National Audit Office analysis of HM Revenue & Customs data

HMRC's methodology for estimating error and fraud in Child Benefit expenditure

2.23 For 2025-26, 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 month) from December 2024 to November 2025. HMRC selected the random sample based on its own assessment of risk, which for 2025-26 identified two distinct populations of claimants: those claiming for children in FTNAE and those claiming for children who were not in FTNAE (non-FTNAE).

2.24 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.

2.25 Of the 2,700 claims that HMRC selected in 2025-26, 2,409 were responder cases and 286 were non-responders, with the remaining five cases being discarded.¹⁸ HMRC judged 41 of the 2,409 responders (1.7%) to be non-compliant based on the evidence provided by claimants. HMRC's desk-based analysis estimated that 47 (16.4%) of the 286 non-responder cases were non-compliant.

2.26 HMRC's 2025-26 estimate of error and fraud is its third 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 2025-26 estimate for error and fraud of 2.0% is the same as last year and has been prepared on a comparable basis.

¹⁸ 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.

Causes of error and fraud in Child Benefit

2.27 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 61% of non-compliant cases in the responder population in 2025-26 and 30% 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 2025-26). HMRC also assesses claims as non-compliant due to household changes and immigration status. In addition, for the non-responder population only, where HMRC can find no trace of an individual (possibly because the claimant has moved abroad), the case is deemed to be non-compliant. The volume of 'no trace' cases has risen to 53% in 2025-26 (2024:25: 48%). The reasons for non-compliance remain broadly comparable with HMRC's equivalent exercise completed in 2024-25 (**Figure 13**).

Developments in tackling error and fraud in Child Benefit

2.28 HMRC identified an innovative opportunity to use international travel data held by the Home Office to investigate non-residency in Child Benefit claims. A pilot in 2024 demonstrated the effectiveness of the intervention, with HMRC estimating gross savings of £366 million across a five-year period to 2029-30. It started rolling a first rollout in August 2025. While HMRC estimated gross savings of £60 million from the first rollout, the manner in which it expanded this measure adversely affected many eligible claimants.¹⁹ After problems emerged, HMRC stopped opening new enquiries at the end of October 2025 and acted quickly to commission an internal audit to review the intervention. It made several changes to the intervention, to improve claimants' experience, before restarting the intervention in March 2026. We have set out more information in our investigation on the topic.²⁰

2.29 To further tackle error and fraud in Child Benefit expenditure, HMRC has also acquired data from DWP to identify children who are claiming benefits in their own right, and data from Student Finance England to identify children who are in advanced education. This will allow HMRC's compliance activity to be more focused on those claims that have a greater risk of error and fraud. HMRC has invested in 180 new counter-fraud staff to better tackle error and fraud, as announced in the Autumn Budget 2024. This has quadrupled the Child Benefit compliance resource, to support the residency measure and the work generated from the new data received from DWP and Student Finance England. HMRC continues to seek opportunities to better exploit data available to central and local government bodies to reduce the levels of error and fraud.

¹⁹ Any savings realised in 2025-26 are not expected to have affected HMRC's estimate of error and fraud in Child Benefit payments.

²⁰ Comptroller and Auditor General, *HMRC's use of travel data to tackle fraud and error in Child Benefit payments*, Session 2026-27, HC 31, National Audit Office, June 2026.

Figure 13

Presumed reasons for error and fraud in Child Benefit claims, split by responders and non-responders, 2024-25 and 2025-26

HM Revenue & Customs' (HMRC's) assessment of the reasons for error and fraud in Child Benefit claims in 2025-26 is broadly consistent with its 2024-25 assessment

| Reason for error and fraud | Responders | | Non responders | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 2024-25 (% of error and fraud) | 2025-26 (% of error and fraud) | 2024-25 (% of error and fraud) | 2025-26 (% of error and fraud) |
| Full-time non-advanced education (FTNAE) issues | 57 | 61 | 33 | 30 |
| No trace | 0 | 0 | 48 | 53 |
| Household changes | 14 | 7 | 4 | 6 |
| Immigration status | 10 | 7 | 13 | 4 |
| Claimant/child abroad | 12 | 7 | 0 | 0 |
| Young person claiming benefits | 5 | 17 | 2 | 6 |
| Other reason | 2 | 0 | 0 | 0 |

Notes

- 1 'FTNAE issues' refers to claimants continuing to claim for children who have left full-time non-advanced education or who are working more than the permitted hours a week, which was 24 hours in 2024-25 and 2025-26.
- 2 'No trace' refers to claimants who do not have a recorded income on HMRC's systems and are not claiming any benefits. HMRC says this indicates the claimant may have moved abroad and not notified HMRC.
- 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 Some percentages do not sum to 100, due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs data

Review of the C&AG's regularity materiality for error and fraud

2.30 The C&AG has qualified his regularity opinion on HMRC's Resource Accounts for a number of years, due to the material levels of estimated error and fraud with Corporation Tax R&D reliefs (2025-26: 5.3%) and Child Benefit (2025-26: 2.0%), which have been in excess of 1%. While no level of error or fraud is acceptable, the resources available to address it are finite and must deliver value to the taxpayer. The policy objectives and design of both R&D reliefs and Child Benefit carry an inherent risk of error and fraud. Reducing the error and fraud rate below 1% may require disproportionate financial expenditure relative to the benefits delivered.

2.31 As a result, the C&AG is considering increasing the materiality threshold for assessing regularity in spending on these two areas to a level that more accurately reflects the reduction in the level of error and fraud that is attainable with a cost-effective control environment. We will initially pilot this approach for Child Benefit in the 2026-27 period, with plans to extend it to Corporation Tax R&D reliefs in subsequent years. We are currently undertaking work to determine the most appropriate revised percentage. This will be informed by our assessment of the Department's existing controls for addressing error and fraud, as well as the estimated impact of future interventions that could be implemented where they are assessed to be cost-effective. Once we have completed this review, we will set the revised materiality level for 2026-27 for Child Benefit. The C&AG's decision on whether to qualify his regularity opinion will continue to be based on the audit findings for the period, his evaluation of the Department's estimates for error and fraud, and his judgement on the cost-effectiveness of the Department's control environment.

Appendix One

Our evidence base

1 This report presents our factual commentary on HM Revenue & Customs' (HMRC's) performance during 2025-26. We prepared our commentary using evidence collected from April to July 2026.

2 The report covers:

- HMRC's performance against its 2025-26 objective of collecting revenues and managing compliance, and the main components of the £966.4 billion raised in 2025-26 (Part One);
- HMRC's customer service and debt management performance (Part One);
- progress with HMRC's Transformation Roadmap – HMRC's plan to deliver its long-term priorities (Part One);
- progress rolling out Making Tax Digital – HMRC's flagship transformation project to introduce digital record keeping and tax returns (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 and Child Benefit (Part Two).

Part One

Document review and quantitative 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 from 1 April 2025 to 31 March 2026.

5 During our analytical review, we examined the numbers in HMRC's financial statements, plus supporting information provided during the financial audit, performance statistics published regularly by HMRC, such as its quarterly performance updates, and performance data held internally, such as on its debt management.

6 We reviewed *Measuring Tax Gaps 2026*, published by HMRC in June 2026, and *Economic and Fiscal Outlook*, published by the Office for Budget Responsibility in March 2026.

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:

- *Taxing large businesses* (February 2026); and
- *HMRC's use of travel data to tackle fraud and error in Child Benefit payments* (June 2026).

Interviews

9 We conducted four virtual interviews in April and May 2026 with officials from HMRC. We spoke to officials from HMRC's business groups responsible for compliance and customer service, as well as officials in HMRC's project teams for Making Tax Digital and transformation. These interviews lasted up to an hour each and we took detailed notes. After each interview we provided HMRC with follow-up queries via email where appropriate.

10 We undertook these interviews to corroborate evidence collected from our document review and quantitative analysis, and to understand better:

- HMRC's objectives for 2025-26 and its performance in the year;
- challenges HMRC faced in achieving its objectives in 2025-26, and risks to performance in future years;
- HMRC's plans for maintaining and improving performance in 2026-27; 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 relief 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.



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