Chief Executive's Review of 2022 to 2023

HMRC is your tax service – we're here to support you to get your tax right and make it hard for the dishonest minority to cheat the system.

As Chief Executive – and someone proud to have spent their entire career in the tax department – I see first-hand every day the vital public service that my colleagues provide. I want to thank them for their hard work during the last financial year.

There's no doubt that our work is important to the nation. The revenue we generate, £814 billion in the financial year 2022 to 2023, is spent by government on the schools, NHS, police and other essential services we all rely on.

We've also successfully maintained a long-term reduction in the UK's tax gap (the difference between the amount of tax that should, in theory, be paid to HMRC and what is actually collected) from 7.5% of total theoretical tax liabilities in 2005 to 2006, to 4.8% in 2021 to 2022.

Of course, we do much more than this. We also help families and the most vulnerable in our society by paying Child Benefit and Tax-Free Childcare and ensuring workers are not paid below the National Minimum Wage, and we help the UK's economic growth with our work on freeports and a customs system that supports the smooth flow of international trade.

Transforming our service to meet changing taxpayer needs

Our aim is to be a trusted, modern tax and customs department – one that collects revenues and keeps the tax gap low while fitting as seamlessly as possible with how people live their lives and run their businesses.

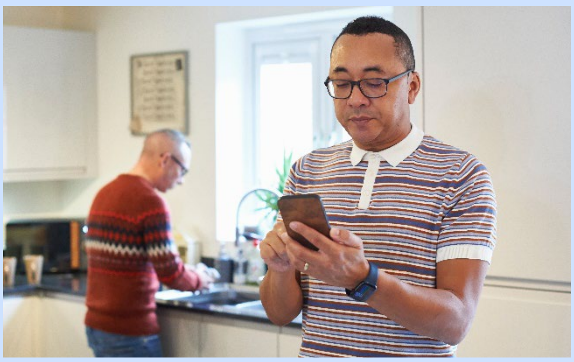
To achieve this, we're becoming an increasingly digital organisation: the vast majority of our customers pay their tax automatically or deal with their tax and customs affairs through online services, without needing to contact us directly – and satisfaction with our digital services was 82.7% in the last financial year.

In 2022 to 2023, more than 8 million VAT returns were successfully submitted using Making Tax Digital-compatible software that talks directly to our systems. This included over 99% of returns from businesses over the £85,000 threshold, and 98% from those under the threshold.

Studies have shown that this change is making it quicker and easier for businesses to manage their tax affairs – and it's predicted to deliver additional

Making tax easier with the HMRC app

More and more customers are using the HMRC app - with over 56 million logins and over 1 million new users in 2022 to 2023. We've developed it to give people simpler access to more information and are regularly adding more services. Customers can view their PAYE tax code and annual tax summary, manage details for tax credits and Child Benefit and use a tax calculator. Self Assessment customers can also file their return and pay their tax bill via the app, with 130,000 having done so as of January 2023.



revenue of over £3 billion for public services up to the end of 2027 to 2028 by reducing taxpayer errors.

Meanwhile, demand for our digital services is growing. Around 97% of Self Assessment customers who completed their returns by 31 January 2023 filed online – and our digital personal and business tax accounts, and the HMRC app, were accessed 198.7 million times in 2022 to 2023, compared with 61.6 million in 2016 to 2017.

But it's also true that 2022 to 2023 was a challenging period for us across many of our traditional phone and post services. Our customer base is growing, with more customers having increasingly complex needs. For example, the number of higher rate taxpayers - who may need more active management in the system - increased by 17% between financial years 2015 to 2016 and 2022 to 2023 and is likely to grow further. We're also seeing more small business customers getting into tax debt, and the average value of customers' debts increasing.

In addition, we face an ever tighter departmental budget, creating significant operational challenges for us. Put simply, it's getting harder to meet our service standards using the same approaches that may have worked in the past.

In response, we're driving forward vital changes to make us more efficient in serving customers and managing their compliance.

The key to doing this is through quicker and easier online services. We want to reduce the volume of contact through phone and post by 30% by 2025 compared with 2021 to 2022, enabling many more customers to resolve their issues quickly and easily online, and freeing us up to help those who need extra support.

In 2023, we're improving the digital experience for our customers by adding a range of services into the HMRC app and online, and updating the way customers interact with their digital account so it fits around their tasks and needs. For example, Child Benefit customers can now complete their claim fully online for the first time ever – and we're adding more digital features including making it easier for customers to change their personal details and request their National Insurance Number online. Although later than originally planned, we're also preparing to extend Making Tax Digital to Self Assessment customers in phases from 2026.

At the same time, we're playing a key role in developing the government's Target Operating Model at the UK border, which will set out a roadmap for new import controls and a technological transformation that makes it easier for traders to fulfil all their import, export and transit obligations. We're also continuing to support traders moving goods between Great Britain and Northern Ireland, in line with the UK's commitments to deliver the Windsor Framework.

We know the tax system can be complex. Following the closure of the Office of Tax Simplification we will make simplifying the tax system integral to our approach to developing tax policy. Simplification is now very much part of our core day to day work.

Supporting traders with the new Customs Declaration Service

From 1 October 2022, importers started submitting all their import declarations through our modern Customs Declaration Service (CDS) platform, marking the end of 30 years of using the old Customs Handling of Import and Export Freight (CHIEF) system.

By the end of 2022 to 2023, 38.8 million import declarations had been made on CDS. We are now supporting businesses to declare their exports on CDS as well.

All these changes will help to make things easier for our customers and support growth for businesses. Crucially, they will also enable us to operate more efficiently and focus our support on those customers who cannot use digital services or have complex needs.

Supporting customers to get their tax right

In the short term, we're reviewing how we deploy our resources to ensure we maximise value for the taxpayer – and this means changing the way we meet customer needs.

I'm disappointed that we didn't hit our key customer service standards this year and I recognise the inconvenience some customers will have experienced at times. You can read more about the reasons for this on pages 33 to 34.

We're working hard to improve all our service levels. For those customers who need direct support through our post services, I'm pleased that in 2022 to 2023 we made a large improvement in the proportion of customer correspondence that we turn around within 15 working days, increasing to 72.7% from 45.5% in 2021 to 2022.

We're determined to do all we can to be responsive and to help customers get things right – but that has to mean migrating an ever-increasing number of our customers onto our digital services and away from our phone lines so we are in a much better position to provide specialist support to those that need it, while improving the customer experience.

Delivering Help for Households

As your tax service, we are able to support many urgent government priorities, the impact of which stretch well beyond the tax system. This year we played a major role in providing Help for Households – including delivering Cost of Living Payments of up to £650 to eligible tax credits customers.

We'll continue this support into 2023 to 2024, with 3 further payments of up to £900 for eligible customers.

As we make these changes, the standards set out in our Charter will remain at the heart of what we do. We're also helping customers to find the answers they need more quickly and easily. For example, customers using our digital assistant are automatically finding the information they are looking for in more than two thirds of cases, with the remainder being handled by HMRC webchat advisers, and our new telephony platform is continuously improving the way we handle phone calls. We've also introduced an online performance dashboard, where customers can check current service levels and processing times, reducing the need for progress chasing calls.

Ensuring the right tax gets paid

To ensure everyone pays the right tax, we have a well-established compliance strategy with 3 elements: preventing non-compliance, promoting good compliance, and being robust in our response to those who bend or break the rules.

The changes we're making to modernise our services, which I've described above, are also vital to this strategy. They aren't just about improving customer experience, they also help to ensure customers pay the right tax at the outset, rather than fixing problems after they happen.

For example, the move to businesses submitting their VAT returns using Making Tax Digital-compatible software from April 2022 is helping to reduce opportunities for calculation and transposition errors. We're also using more targeted campaigns, prompts and nudges, such as highlighting to customers if they enter data that doesn't align with what we expect.

This is all vital to maintaining a low tax gap while achieving ever greater cost efficiency. And we're building on what is already a strong record: each year, around 95% of the tax that's due gets paid, and the vast majority of our customers pay in full and on time.

Tackling tax debt

Amid challenging economic conditions, the level of tax debt has grown since 2019 to 2020. You can read more about this on page 19.

We're supporting customers to get out of tax debt. At the end of 2022 to 2023 we were managing £5.7 billion of debt through time to pay arrangements, in which customers pay off their debt in affordable and sustainable instalments.

Around 90% of these complete successfully. For those who can pay but are not doing so, we introduced penalty and interest reform for VAT from January 2023, to encourage payment on time and quicker debt resolution.

In 2022 to 2023, we delivered £34 billion of compliance yield – our term for money that would have been lost to the Exchequer if not for our compliance work. While it's lower than we aimed for this year, it's higher than the 2 previous financial years. Read more on pages 17 to 18.

Of course, protecting taxpayers from those who bend or break the rules will always remain a vital part of a trusted tax system. We've already invested in over 4,000 new compliance officers in 2021 to 2022. We're also focusing our criminal investigations on serious frauds – and we've seen the average value of our criminal cases rise to £6.2 million, almost 3 times what it was in 2016 to 2017.

Modernising how HMRC works

To achieve our aims, we need the right people, skills and technology combined with the right ways of working using the best tools and data systems. We've taken important steps forward in these areas over the past financial year.

We opened 3 more regional centres in Glasgow, Manchester and Nottingham – taking us to 12 operational centres in total, with 2 more due to open in Newcastle and Portsmouth. We're also sharing office spaces with 12,000 civil servants from 39 other departments and organisations, fully supporting the government's 'Places for Growth' agenda.

These modern workspaces put us in a strong position to create jobs and career opportunities in every part of the UK. Of our over 67,500-strong workforce, 85% are now based outside London, including more than half of our senior civil service roles.

We've also been working hard to make our IT infrastructure more secure and resilient, to underpin our online services. In the last year, we broke up our largest IT contracts into a range of smaller, service-focused ones. This was the culmination of many months of work and gives us greater access to the latest technology. We've also completed 62% of migrations from legacy data centres as we move to cloud-hosting.

We run one of the largest and most complex IT estates in the UK, so updating our technology will always be a continuous process. But thanks to our work this year, our systems will perform better and be easier to update – benefitting customers and colleagues alike.

Looking ahead

We've faced some tough operating conditions during 2022 to 2023 and there is important action we still need to take to meet rapidly changing customer needs and economic circumstances. We also understand the need to work with our customers and stakeholders to fix problems and find shared solutions.

Our long-term aim is clear: offering more and better online services so they simplify things for our customers, doing more to remove the causes of unnecessary customer contact and improving compliance.

I'm confident that by working together according to our values and our Charter principles, we'll continue making a vital difference for our customers and for the UK as a whole.

Jim Harra
Chief Executive and First Permanent Secretary
6 July 2023

Our key performance metrics

Where we have an internal target or service standard, this is shown in brackets

Compliance yield

2022 to 2023 — **£34.0bn** (£36bn)
2021 to 2022 — **£30.8bn**

Tax credits error and fraud

(2021 to 2022 data is latest available)

2021 to 2022 — **4.5%** (5%)
2020 to 2021 — **4.7%**

Customer satisfaction

2022 to 2023 — **79.2%** (80%)
2021 to 2022 — **82.0%**

Customer correspondence cleared within 15 working days

2022 to 2023 — **72.7%** (80%)
2021 to 2022 — **45.5%**

Net easy

2022 to 2023 — **+59.8** (+70)
2021 to 2022 — **+65.5**

Telephones: adviser attempts handled

2022 to 2023 — **71.1%** (85%)
2021 to 2022 — **77.3%**

Debt balance

2022 to 2023 — **£45.9bn**
2021 to 2022 — **£41.6bn**

Time to Pay arrangements

2022 to 2023 — **£5.7bn**
2021 to 2022 — **£5.4bn**

Employee engagement index

2022 to 2023 — **59%**
2021 to 2022 — **59%**