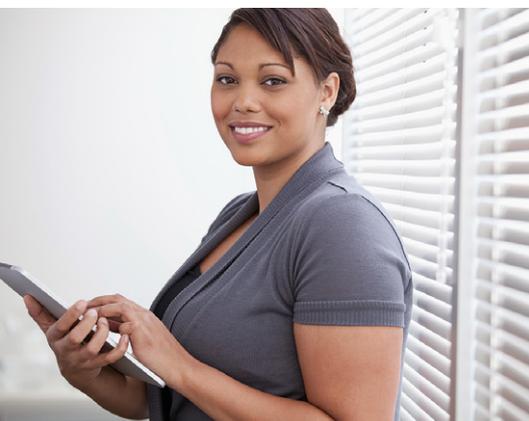




HM Revenue  
& Customs

# Delivering our Vision

HMRC Business Plan update 2013-14



Helping our customers  
to get it right first time



Maximising revenue flows  
and improving compliance



Making sustainable cost reductions  
to achieve best value for money



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Our purpose is to collect the taxes that fund the UK's public services, and to provide targeted financial support to families and individuals. We aim to do so efficiently, professionally and fairly, making complying with the tax system as simple as possible, while relentlessly pursuing those who do not comply, in order to reduce the tax gap.

# Foreword



Last year, HMRC published a three-year Business Plan, which set our direction and challenges for 2012-15. This is an update to that Business Plan. It sets out our activities this year and, following the 2013 Spending Review, it also sets out some of our longer-term ambitions, ahead of a more comprehensive Business Plan to be published in 2014.

The core of our purpose is to collect the taxes that fund the UK's public services, and to provide targeted financial support to families and individuals. We aim to do so efficiently, professionally and fairly, making complying with the tax system as simple as possible, while relentlessly pursuing those who do not comply, in order to reduce the tax gap.

I am proud to be able to say that we are making great progress against this purpose. As you will see from the performance highlights on page six, last year we delivered strongly against our three strategic objectives: producing additional revenue of £20.7 billion – almost £2 billion more than our target; bringing PAYE up to date and exceeding our call answering and post targets; and producing more than £245 million in efficiency savings.

Future years will continue to be challenging. The Chancellor's recent Spending Review announcement set out what Ministers expect of us in 2015-16. It committed us to bringing in an extra £1 billion in additional revenue and to making a five per cent reduction to our budget. In addition, as a result

of a £200 million three-year digital investment programme, we will become an increasingly digital organisation, providing real-time online tax accounts to millions of taxpayers. Given the momentum we have already established, I am confident that we can meet these stretching objectives.

But HMRC will have to become a very different organisation: we will be slimmer, with fewer employees in fewer locations; even more professional, with a greater emphasis on data analytics, IT, tax and operational skills.

Our 2013-14 activities are steps in that journey. We will continue to invest in improvements that help compliant customers. We aim to maintain contact centre performance at 90 per cent, while piloting a new service for customers who need extra help.

Real Time Information for PAYE has started very well, with more than a million payroll schemes submitted in the first month of the roll-out. This huge programme impacts every employer in the country, and remains one of our biggest challenges this year, as we continue to support the introduction of Universal Credit.

We will also increasingly work in real time with larger businesses to reduce risk and increase revenues, and deliver more support to smaller businesses to cut error and fraud. We will reduce opportunities for tax avoidance, by delivering well-designed processes, policy and legislation aimed both at tax avoiders and scheme promoters. We will also increase our focus on tackling debt and tax credits error and fraud.

We will also continue to tackle offshore evasion, with a raft of new campaigns and taskforces. And we will make new technology work harder for us, exploiting its potential to track down those who cheat their taxes.

This will require us to invest in our own skills and capacity. Last year, we promoted more than 3,000 staff; this year, we will expand training for our tax and operational professionals, and implement a new performance management system that will further drive excellence among HMRC's staff in the running of a fair, efficient and effective tax system.

A handwritten signature in black ink that reads "Lin Homer". The signature is written in a cursive, flowing style.

Lin Homer  
Chief Executive and Permanent Secretary

# How are we doing? Our 2012-13 performance

# £475.6 billion

Record amount of tax revenue we brought in – more than £1 bn above what we collected in 2011-12

## £20.7 bn

Record compliance yield – almost £2 billion above our target for the year

## 100 legal wins

Using a legal argument to successfully defend about £300 million in VAT claims in 2012-13



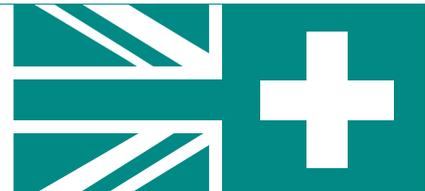
## £2 bn

Revenue brought in using our state-of-the-art fraud-busting tool Connect, which won project of the year at the 2012 National Outsourcing Association Awards

## 17.9 million

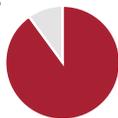
PAYE legacy open cases we finished clearing from our old computer system. We are now up to date with PAYE

£342 million – first payment made after the UK-Swiss Tax Agreement came into force in January 2013

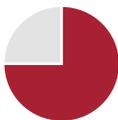


## 90+ per cent

The highest proportion of customer calls we have ever answered in the last half of the year



We answered 75 per cent of calls across the entire year



## £1 bn

Estimated revenue over five years, after we agreed to share tax information with the Isle of Man, Jersey and Guernsey

## 85%

Post we turned around within 15 working days – the best performance ever recorded by HMRC

## 15.4

The number of days it took on average to process tax credits and Child Benefit UK new claims and changes of circumstances against a target of 22 days: our highest customer service level to date

# 64,476



The number of full-time equivalent staff we employed at March 2013

## 1,700

The number of our people who started tax training for the first time, so we can increase revenue collected and provide a better service for customers

## 5,463

The number of our people moved to new or different compliance roles to help meet our commitments to bring in extra revenue



## 200

People joined our graduate level Tax Professional Development Programme, including 120 externally recruited graduates



# 5,589

Days we gave to volunteering in our local communities

## £1.8 million

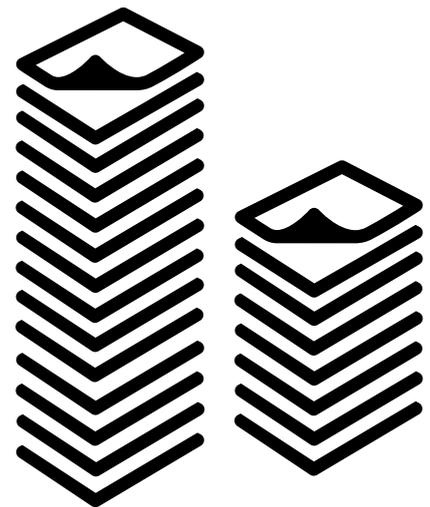
Raised for good causes through fundraising for BBC Children in Need, Lifeboat Fund, Charity for Civil Servants and other good causes via payroll giving

## 8,800

Leaders and managers are benefiting from leader-led master classes on the new performance management system for the Civil Service



What we expect to save in IT costs over four years in a new agreement signed with Microsoft in December 2012



## 27m

Fewer sheets of paper were bought last year because we printed less

# Meeting our Spending Review commitments and managing risks to our performance

HMRC agreed ambitious and stretching objectives in the 2010 Spending Review, which were stretched even further in the 2013 Spending Review. Achieving these objectives requires a major transformation of what we do and how we do it. Our change programme brings together a portfolio of projects that drive this transformation, including in technology, process and people initiatives.

## Our ambition

HMRC's core objectives remain to maximise tax revenues, improve our customers' experience and sustainably reduce our costs. Over the next three years, we will become even more cost-efficient, as we deliver more for the UK with less resource; we will secure more revenue from our compliance activities; and we will become better at serving customers by meeting or beating our customer service targets.

By 2016, we will have become a more digital organisation. This will enable most individuals and businesses to deal with their taxes online in real time, as well as equipping HMRC with the technology and data analytics systems that will help us more effectively to target those who break the rules.

The change programme projects identified in 2010 are steps in the journey to achieving that ambition, and they include:

- making it cheaper and easier for our customers to pay their tax and claim their benefits and credits
- reinvesting £917 million of the savings we make to tackle avoidance, evasion and criminal attack. This year we aim to bring in an additional £5 billion in revenues
- implementing the largest change to PAYE in 70 years with the introduction of Real Time Information (RTI)
- creating a 'one-click' online registration process for new businesses, by moving notification of liability for VAT and main direct taxes to online channels by December 2013

- expanding digital services for customers, in line with the government's digital strategy, by introducing a new online PAYE service for individuals to report changes that impact on their tax codes, with a pilot service launching in October 2013
- introducing a new 'Tax for my Business' personalised homepage, to help small and medium enterprises deal with their tax affairs; a live pilot service for 1,000 customers will start in October 2013 and will be rolled-out to a wider group of businesses over the following six months.

We will continue to support the Government to move towards a more competitive, simpler and fairer tax system, through working closely with HM Treasury and the Office of Tax Simplification to design and deliver tax policy. We will strengthen our policy capability and use our knowledge of the tax policy-making process to propose new ways of improving customer service, the administration of the tax system and reforms to reduce opportunities for avoidance and evasion. We will use our continuous improvement capability, known as PaceSetter, to improve our work and our processes.

The Chancellor's Autumn Statement, published in December 2012, gave HMRC an additional £77 million to tackle tax evasion and avoidance.

In 2013-14 we will:

- deliver specific Autumn Statement additional revenues of £686 million
- further develop Connect, the HMRC data matching and risking tool, by upgrading software, expanding the number of users, improving accuracy of the data used by the tool and improving system resilience and capacity

- recruit and deploy an additional 100 investigators to the Affluent Unit, that makes sure the better off comply with the tax rules, to further tackle avoidance and evasion
- trial the debt collection agency (DCA) approach for tax credits debts, by releasing around £300 million of debt for DCAs to collect on our behalf. This builds on the model we have used over the last two years as part of the Spending Review programme
- create a new centre of excellence to develop a comprehensive strategy for tackling offshore evasion
- increase our ability to tackle aggressive avoidance schemes, including long-running cases involving partnership losses
- start a programme of digitisation, funded by the three-year, £200 million digital investment announced in the 2013 Spending Review.
- transforming HMRC – HMRC fails to deliver the changes required to meet our Spending Review commitments
- cyber threats – HMRC will be unable to protect against cyber threats
- transforming PAYE – HMRC fails to meet the aims of PAYE improvement and welfare reform
- tax policy – HMRC is unable to meet tax policy developments
- revenues raised – HMRC will not deliver the Spending Review proposition
- HMRC Universal Credit programme – HMRC will be unable to manage large-scale migration from tax credits to Universal Credit
- business continuity capability – HMRC fails to cope with a major event that reduces operational capability for more than three business days

## Managing risks to our performance

Our business planning involves looking ahead to identify issues that could pose a significant risk to our performance – and then deciding how best we can minimise their impact.

Our current departmental risks include:

- employee relations – there is a risk of a significant deterioration in industrial relations, sustained industrial action and unrest
- health and safety – HMRC fails in its duty of care
- information security – HMRC suffers one or more data losses
- people skills and technical capability – not having the right staff in the right place with the right skills
- data management and quality – HMRC fails to apply good standards
- people engagement – HMRC’s ability to maximise performance is compromised by low staff engagement
- understanding customer behaviour – HMRC fails to adequately keep track of how customers deal with us
- reputation management – HMRC does not embed and effectively use communications and stakeholder management proactively to manage its reputation and to respond appropriately to a crisis situation
- workload capacity and resource management – HMRC does not have an effective approach to forecasting demand and balancing capacity with workload
- supplier stability – there is a risk relating to our management and relationship with key suppliers
- RTI Programme and employer awareness – HMRC fails to raise appropriate awareness among employers to report PAYE in real time.

# Customer experience

## – improving accessibility, accuracy and timeliness

Our key priorities are to improve customer experience and to tackle avoidance, evasion, organised crime and fraud. We will do this while improving our systems and our efficiency to deliver these objectives at lower cost to the Exchequer. We know that our customers care most about our accuracy, the ease of accessing our services and dealing with us quickly and efficiently. They also want us to be straightforward and cost-effective to deal with.

### What we have done

#### Customer experience

Our goal is to improve our customers' experience of interacting with us. We are committed to achieving an increase in customer experience scores to 75.8 per cent (an increase of 4.6 percentage points compared to March 2011). Results of the quarterly survey to March 2013\* show a rise of 1.8 per cent from 71.2 per cent to 73 per cent. Within this, the agents' experience score of 68.5 per cent exceeds the target of 66.5 per cent for March 2015. This improvement is due to our hard work in reducing call waiting times and implementing the Agent Strategy.

#### Customer service standards

##### Accessibility

During the course of 2012, we decided to advance the target to achieve 90 per cent of call attempts answered, originally due for 2014-15. As a result, we have made a significant difference to our performance as the year progressed. In the last six months of 2012-13, we answered 91.8 per cent of calls to our contact centres compared to just 65.5 per cent in the first half. We plan to invest a further £25 million in improving accessibility to our contact centres and continue with flexible working in 2013-14 to maintain our performance and achieve a 90 per cent average of calls answered.

We are building a better understanding of the needs of our customers and as a result of working with them, we have agreed a new target for 2013-14 of responding to 80 per cent of calls within five minutes.

This is based on research that tells us customers consider five minutes an acceptable time to wait before being answered.

##### Timeliness

There has been substantial progress in the turnaround times for post, answering 85 per cent of customer correspondence within 15 days, which exceeds our target of 80 per cent. We also exceeded our 40 day turnaround target of 95 per cent; achieving 97 per cent.

Our timeliness target for UK tax credits claims and change of circumstances was also exceeded. We achieved 15.5 calendar days against a target of 22 calendar days.

##### Accuracy

Our customers expect us to be accurate in our work and we measure this across a number of areas that we know our customers care about, such as tax credits claims and Self Assessment. We have achieved our targets in this area, achieving above 96 per cent over the year.

We also achieved our post accuracy target of 90 per cent; 91.7 per cent and 91.8 per cent in 15 and 40 days respectively.

Research tells us that when our customers think about accuracy, they include a wide range of aspects of our service, such as ease of finding information and timely completion of work, which falls under our 'quality of service'. We are now carrying out research with customers to find out how we can understand the customer view of quality and use this to help us improve further.

\*The quarterly customer survey covers the vast majority of our customers: individuals; financial agents; small and medium enterprises (SMEs). We use the overall annual rolling score as our formal measurement of how straightforward customers find us to deal with.

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## Accessibility and flexibility

To maintain our performance and achieve a 90 per cent average of calls answered in our contact centres, we plan to invest a further £25 million in improving accessibility and continue with flexible working in 2013-14

# £25m



## Customer cost reduction

By March 2013, we had reduced the costs to all customers by £2.65 million, although there has been an increase in business customer costs of just over £26 million\*. This is due to changes in Government policy, including:

- £9 million costs from Machine Games Duty
- £80 million costs from restrictions to Pensions Tax Relief to raise £4 billion a year
- £20 million costs from the Bank Levy to raise more than £2.5 billion.

Areas where we have reduced business customer costs come from the introduction of improved digital services such as Corporation Tax and VAT e-filing and payment and VAT e-invoicing. Our digital service for customers is a high priority area for the coming year and beyond, where we are looking to make further cost reductions for customers and for HMRC. We will start investing the extra £200 million over the next three years to help make us an increasingly digital business.

## What we plan to do

Over the next 12 months, we will continue building on the good progress we have made to provide our customers with the level of service they expect from us. We will do this by concentrating on areas including our contact centres, our digital offering, our end-to-end processes and how we resolve customer issues more quickly and efficiently.

We aim to reduce ongoing costs for all compliant customers – individuals and businesses – by 2015. The Chancellor also strengthened this commitment for business customers by introducing a target to reduce annual tax administration costs to business by £250 million by April 2015. Our current forecasts show that we are on track to meet this target.

In some cases, increases in customer costs are in areas where customers have requested or supported the changes being made. During 2013, we will be introducing a change to the ‘Patent Box’ regime that will increase costs for business customers, but will reduce their Corporation Tax to ten per cent on profits attributable to the patents – giving our business customers an incentive to retain and develop new patented products. This change forms part of the Government’s growth agenda.

\*Increases of £121.24m; reductions of £94.9m.

# Tackling tax avoidance

Tackling tax avoidance will continue to be one of our highest priorities, as we pursue those who bend the tax rules to their own advantage. Through our anti-avoidance strategy we will focus on making sure we have the right policies and legislation in place to reduce the ability of tax avoiders to exploit legal loopholes for their own gain.

## Delivery in 2013-14

The introduction of a General Anti-Abuse Rule (GAAR) this year will give more protection against artificial and abusive tax avoidance schemes. Where avoidance does occur, we will identify it early using DOTAS (Disclosure of Tax Avoidance Schemes) and other intelligence. We tailor our approach according to the characteristics of different taxpayer groups – based on a robust assessment of the tax at risk. Increasingly, we challenge not only taxpayers who try to avoid tax, but also the behaviour of promoters who offer tax avoidance schemes.

We will consult widely on proposals for new information and penalty powers, targeting high-risk promoters. We will develop better performance measures to demonstrate the effectiveness of our strategic approach. We will make the most of opportunities to inform the public about the nature of tax avoidance and what we are doing to tackle it.

We resolve avoidance issues in accordance with our litigation and settlement strategy and take action in the courts when necessary. We have an excellent record of success in litigation and win the large majority of cases. They include:

### Bristol and West v HMRC

Bristol and West, owned by the Bank of Ireland, tried to avoid paying around £30 million tax on a £91 million gain. The company transferred a swap contract to another Bank of Ireland subsidiary in a flawed attempt to exploit what it thought was a loophole in the tax rules.

The bank's theory was that the £30 million tax would disappear on the cancellation of the original contract and its replacement with a new one. It entered into a swap transaction for commercial hedging reasons, but decided to transfer the swap to another Bank of Ireland subsidiary to exploit a perceived weakness in rules on the taxation of swaps in the Finance Act 2002. The First-Tier Tribunal upheld HMRC's view that there is in fact no loophole to exploit.

### Andrew Chappell v HMRC

The First-Tier Tribunal ruling in this case protected £156 million in tax from a marketed avoidance scheme which had 305 users. Users of the scheme entered into a series of complicated financial transactions intended to exploit the tax rules on stock lending. But the tribunal found that the arrangements involved little more than signing pieces of paper and making entries in accounts.

### Vaccine Research Limited Partnership v HMRC

A Jersey-registered limited partnership claimed to be trading in the UK, creating and exploiting intellectual property from research into vaccines for diseases such as HIV, flu and hepatitis B. Eighty-three investors in the partnership used £28 million of their own cash and £86 million in bank loans. The partnership claimed a first-year trading loss of nearly £193 million, creating £77 million in tax relief. This would have given the partners an almost £50 million return on their personal investments. However, in reality only £14 million had been spent on research and development into vaccines. As a result, the tribunal agreed that individual partners were entitled to tax relief of no more than £14 million of the losses.

## How we will measure success

We are improving the data available to us by introducing a comprehensive avoidance-handling process and developing measures that will enable us to evaluate the effectiveness of our anti-avoidance strategy. This includes tracking the number of customers using avoidance schemes, the amount of tax at risk, yield from its compliance work to tackle avoidance and the amount of resource used. We expect these measures to be in place by 1 April 2014. We also plan to formally evaluate our overall strategy.

# Tax evasion, organised crime and fraud

Tax evasion accounts for 14 per cent of the tax gap\* while organised crime – smuggling and attacks on repayment systems – costs the Exchequer around £5 billion a year, which is 16 per cent of the tax gap.

We aim to level the tax playing field, by supporting the vast majority of businesses and individuals who meet their tax obligations and making sure that there is nowhere to hide for those who deliberately fail to comply.

Our approach to evasion is to identify and target risks, against which we then deploy an escalating range of activities, depending on the severity of the evasion and the willingness of the taxpayer to stop evading and pay what they owe.

It includes:

- using publicity to deter evasion: highlighting the consequences of being caught, publicising the results of campaigns and criminal convictions and encouraging evaders to come forward to get their affairs in order
- deploying taskforces aimed at particular trades and professions in various regions to investigate where we have detected evasion risks
- tackling affluent individuals who have hidden assets in the UK or offshore using specialist teams
- subjecting persistent evaders to ongoing monitoring and publicly naming deliberate defaulters where more than £25,000 of additional tax would have been lost without our intervention
- deploying specialist criminal investigators to fight criminal attacks, including alcohol, tobacco and Missing Trader Intra-Community (MTIC) frauds and protecting the UK from cyber attacks.

Together, these initiatives demonstrate our commitment to the vast majority of taxpayers who pay what they owe, that we are closing in on tax evaders and criminals.

## Delivery in 2013-14

### Identifying fraud

We will improve the way in which we identify risks to better target our compliance activity and will invest in skilled staff and technology to make this possible.

### Deterring evasion through publicity and campaigns

We will maximise deterrence through effective avoidance and evasion marketing and change the way we communicate with our customers to make them more compliant.

We will use campaigns to address serious risks across selected customer groups so we can change their behaviour.

We are publicising our successes in documents such as *'Levelling the Tax Playing Field'* to reassure the compliant majority that we are cracking down on those who don't pay what they owe.

### Targeted taskforces

In addition to the 40 taskforces carried out since 2010, we will launch up to 30 more in both 2013-14 and 2014-15. They include fraudulent VAT repayments in London, restaurants in Northern Ireland and the holiday industry in East Anglia.

### Offshore evasion

This year, we will create a new centre of excellence to tackle offshore tax evasion. Our new offshore evasion strategy, *'No Safe Havens'*, aims to reduce the opportunities to evade offshore, increase the likelihood of evaders (and those who help them) being caught, and make sure that those who try to cheat the system face tough sanctions.

\*The tax gap is the difference between the amount of tax that should in theory be collected, against what is actually collected.

## Helping customers meet their tax commitments

# £1.6 billion

The total value of 'time to pay' arrangements made by HMRC with businesses and individual customers experiencing genuine difficulty paying the tax they owe. The number of these arrangements is currently 665,000



We have already delivered agreements with the USA and with other jurisdictions, including the Isle of Man, Guernsey and Jersey, to automatically share tax information. We will build on the success of the Liechtenstein Disclosure Facility and the historic agreement with Switzerland to encourage those who have hidden money overseas to come forward and settle their affairs. At the same time we will challenge those who choose not to comply with targeted action.

### Monitoring persistent evaders

We will change the longer-term behaviour of known rule-breakers by managing their relationship with HMRC more closely through our Managing Serious Defaulters (MSD) programme, and by publishing the names of people who deliberately don't pay what they owe. We will notify serious defaulters when they are entered into the MSD programme and tell them what their obligations are. While they are in the programme, we will closely monitor them to make sure they meet all their tax obligations. If they fail to meet and maintain those obligations, we will use our inspection and information powers to undertake further compliance activity. Publishing the details of deliberate defaulters will encourage them and others to make full and prompt disclosures and cooperate with HMRC. Details are published only once all appeal routes against the related tax and penalties are exhausted.

### Tackling organised crime

We will ensure our staff continue to have the skills and capabilities needed, supported by improved risk analysis, to deliver an effective and sustained deterrence against fraud.

We will work closely with other public sector bodies, law enforcement agencies and overseas authorities to clamp down on criminality and maximise the recovery of stolen tax, as well as increase the number of prosecutions to tackle mass market evasion.

### Managing debt

We recognise that some customers have genuine difficulty in paying us. We will support them through temporary difficulties by allowing them time to pay where appropriate. For the debts that remain, we will introduce more innovative collection approaches based on analysing customer data and how they deal with us.

We will continue to take fast, firm, effective action against those who fail to engage with us, and seek to make sure debts are repaid by using our debt collection agency partners and recovering smaller debts through the PAYE system.

We will also work with other government departments to improve the collection of debt across central government.

### How we measure success

A key measure of success is the additional tax revenue we bring in through our compliance and enforcement activity. We plan to deliver £5.8 billion additional compliance revenues above baseline in 2013-14.

Our compliance revenues are made up of:

- cash collected – the total amount of tax that we collect from activity to tackle those individuals and businesses that have not paid the tax due
- revenue protected – the amount of revenue protected by activities including: seizing illicit goods, preventing errors, deterring future non-compliance and addressing loopholes.

# Individual taxpayers

We will improve customer service for the vast majority of people while tackling avoidance, evasion, organised crime and fraud. We will also adapt our approach according to the needs of all our customers, who are individual taxpayers, benefits and payment customers and businesses. In total, we deal with 60 million people through PAYE, National Insurance, Self Assessment and other specialist taxes such as Inheritance Tax.

## Delivery in 2013-14

We will provide an improved service and, in doing so, prepare for the future by increasing our focus on digital ways of working and reducing costs for the customer and to our processes.

We will make it easier for our compliant customers by looking at how they deal with us to shape our policies and processes, supported by new technology, contact centre investment and user-friendly guidance. This will make it easier for our customers to manage their affairs, and harder for them to get it wrong.

Because customers will need to contact us less, we will reduce our own costs, enabling us to reinvest these savings into bringing in the money that keeps the country's vital public services running.

## Designing the way we do things around the customer

We will continue changing our products, processes and services to make sure our customers have what they need to get their taxes and entitlements right first time, minimising the need for us to get involved.

When customers do need to contact us, we will maintain our service of answering an average of 90 per cent of call attempts (and answering 80 per cent of calls in five minutes). We will reply to at least 80 per cent of our customer letters within 15 days and 95 per cent in 40 days, while maintaining a quality target of at least 90 per cent throughout the year.

We will work harder to learn lessons from complaints and the way we handle them – responding to customers' concerns and changing our processes.

And, for those who need extra help, we will provide tailored services that meet their needs, including trialling face-to-face support at convenient locations for them.

## Reducing costs – both for customers and HMRC

By helping our customers get things right first time, we will minimise errors and the need for them to contact us, reducing their costs and ours. For those who need help, we will make it cheaper to contact us, moving from 0845 to 03 phone numbers that are far less expensive to call from mobile phones.

We will reduce our post-handling costs by starting to scan the correspondence we receive and by processing it electronically, and we will put our telephony contract out to tender, bringing us more modern telephony services and infrastructure at better value for money.

## Avoidance and non-compliance

We will tackle the avoidance of tax and National Insurance contributions through the use of employee benefit trusts, and by employment intermediaries – for example, those who try to put payroll offshore. We will work more closely and offer more support for specialist agents and intermediaries to help a larger percentage of our customers become compliant.

We will work closely with other government departments – for example, collecting student loan repayments on behalf of the Department for Business Innovation and Skills (£1.6 billion collected in 2012-13).

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## Responding faster to customer letters

At least 80 per cent of our customers will get a reply to their letters within 15 days and 95 per cent in 40 days. We will maintain a quality target of at least 90 per cent throughout the year

# 80%



## Transforming the PAYE system

With the backlogs of previous years now cleared, we will operate PAYE in the most efficient way, working three years in a single annual tax cycle (reconciling 2012-13, updating 2013-14, and preparing tax codes for 2014-15). We will continue to reduce the number of PAYE work management items, preparing for the future through using more automation and trialling new ways of handling these items.

In 2013-14, we will move more than 1.5 million PAYE schemes and 48 million employments to Real Time Information (RTI), improving the operation of PAYE for employers, employees and HMRC, by making the system quicker, easier and more accurate.

## More online

We will make it ever-easier for our customers to do business with us online – improving our online information, forms and guidance, and expanding the services we offer online as part of an extra £200 million investment in our digital services over the next three years. In 2013-14, we will open up an online facility for some of our 39 million PAYE customers to report changes to their benefits in kind.

We will build on our successful campaigns to encourage even more Self Assessment customers to file online and on time, avoiding late filing penalties.

Our approach remains: ‘We want the returns, not the penalties.’

## Measuring success

We will introduce new performance measures to guide our work in improving the customer experience. They will focus on quality, accuracy, accessibility and our ability to resolve everything for the customer the first time they contact us.

We will use a number of measures to set standards mid-year, once benchmark data becomes available.

They include:

- analysing how well our processes work from start to finish
- how often we resolve customer issues the first time they make contact with us
- how many complaints are upheld against us
- the quality of our work, based on what customers are saying about us
- reducing customer costs when they deal with us
- the quality and ease of using our digital services.

# Benefits and payments customers

We support 4.8 million families and 7.9 million children through the administration of tax credits and pay Child Benefit for 13.7 million children. Child Tax Credit helps people bringing up children and Working Tax Credit helps those working on low pay, whether or not they have children.

## Delivery in 2013-14

Our priorities for 2013-14 are to tackle the level of tax credits error and fraud and to manage our tax credits debt balance, as well as to continue to improve our customers' experience of dealing with us.

To achieve this, we are looking at innovative and cost-effective solutions, for example through testing the effectiveness of using a private sector supplier to deliver additional tax credits compliance checks; through improving our risk capabilities; making best use of our data and tools, and by increasing the number of penalties and prosecutions for fraud to deter the minority of our customers who deliberately make incorrect claims.

We want to help customers get it right first time, and will increase our validation of customer information to reduce the number of overpayments and underpayments, and amount of fraud and debt.

## Preparing for Universal Credit delivery

The Department for Work and Pensions (DWP) Universal Credit Pathfinder will test our processes for closing tax credits claims, including the way we recover debt and the impact on our customers. We are working closely with DWP on the timing and volumes of customer moves from tax credits to Universal Credit, which will help us make decisions around the transfer of sites and people from HMRC to DWP, as part of the delivery of Universal Credit.

## Timeliness, accuracy, and ease of contacting HMRC

We know that our customers want to get the money they are entitled to on time, and have clear and straightforward help when they need it. We want to build on the strong progress we've made, continue to improve our customer service and our customers' experience by better understanding their needs and better communicating what we need from them.

We will continue to reduce the need for customers to contact us unnecessarily. For those customers who do contact us, we will look to learn from their experiences. This includes learning from our customer complaints and appeals to reduce the number of complaints, disputes and appeals we receive and improve our processes and service.

## How we will measure success

We will measure our success against the following targets:

- achieve and sustain timeliness of 22 days for tax credits and Child Benefit UK new claims and changes of circumstances
- achieve 97 per cent accuracy for new claims, renewals and changes of circumstances
- deal with customer disputes and appeals in under 42 days
- achieve customer satisfaction scores of 77 per cent by March 2014.

A photograph of three business professionals in an office. On the left, a woman with short blonde hair and glasses, wearing a grey sweater, points at a laptop screen. In the center, a woman with dark hair and glasses, wearing a white shirt, looks at the screen. On the right, a man with dark hair, wearing a blue shirt and tie, also looks at the screen. The laptop is on a desk with papers and a yellow mug. The background is a bright, out-of-focus office space.

### Improving our online services

We will make it easier for new businesses by creating a 'one-click' online registration process for notification of liability for VAT and main direct taxes by December 2013

# Business customers

We work with large business and 4.8 million small and medium-sized businesses in the UK to make sure we collect the tax due and tackle avoidance, error and fraud, through constantly improving our knowledge of business customers and our levels of customer service.

## Delivery in 2013-14

### Maximising revenue

Our strategy is to match resource to risk, with our most experienced and highly-trained tax professionals managing relationships with our largest business customers. We make a significant contribution to the Department's revenue targets from the largest 808 firms. We are currently forecasting we will meet our 2013-14 target of £5.1 billion.

Funding for a Large Business Risk Taskforce was included in the Chancellor's 2012 Autumn Statement. It is expected to identify additional risks over the next three years, producing additional revenue of £100 million this year, and £2 billion in total by the end of 2017-18. As we work increasingly in real time with customers the way we collect tax is changing – helping customers to get their tax right before returns are filed, rather than trying to put things right afterwards.

Real time working can provide earlier certainty for taxpayers on a range of complex and commercial issues. It also allows us to detect avoidance more quickly.

We are reviewing how we measure the impact of these changes on our revenue targets, efficiency and the customer experience.

### Improving customer experience

We will continue to deliver against the commitments made at Budget 2012 in 'Making tax easier, quicker and simpler for small business' – particularly through the introduction of new digital services for business. We're implementing a simpler income tax process for small unincorporated businesses, and delivering VAT registration transformation which automates a substantial part of the service's business and transfers the VAT registration process online.

We will contribute to reducing customer demand and contact by making the best use of digital technologies, and supporting the wider digital agenda more generally. We introduced the Patent Box regime in April 2013, which will apply a reduced rate of Corporation Tax to profits from patents and certain other forms of qualifying intellectual property. This will give companies the incentive to invest in research, development and innovation in the UK. We will take part in European Union negotiations to ensure that the international trade environment continues to encourage UK growth. We will give businesses operating across international borders certainty, by liaising with treaty partners to relieve the risk of double taxation, where businesses are taxed twice in two different countries on the same profits. We will continue to work closely with the Department for Business, Innovation & Skills, Cabinet Office and HM Treasury in support of the Government's wider agenda for business, particularly to support growth and enterprise.

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## Large Business Risk Taskforce

The Taskforce is expected to identify additional risks over the next three years, that will produce additional revenue of £100 million this year. Funding for the Taskforce was included in the 2012 Chancellor's Autumn Statement

# £100 million



We will continue to assure the delivery of the large business, small and medium-sized enterprises (SME) and agent strategies so that they bring in the revenues and deliver the customer service improvements agreed as part of our Spending Review, and to commission, maintain and apply a robust body of relevant external research to support those improvements.

## How we will measure success

Our primary measures of success are:

- the additional £5.1 billion tax revenue we aim to collect from the largest 808 businesses, and product and process yield
- delivery of business cost reductions against our target to reduce by £250 million by March 2015, as part of a wider improvement in business customer experience
- progress towards achievement of our customer experience targets for SMEs, agents and large business.

# Our people

To make sure that we are able to collectively deliver the challenges outlined in this plan, we will continue to work towards creating an inclusive 'One HMRC' environment which is enjoyable to work in and motivates and develops our people.

We want to further strengthen our leadership, improve professionalism and create the foundation for a sustainable organisation that delivers for the customer (in terms of their experience when dealing with us) and for the Government (in terms of our revenue targets). We will strengthen our people's connection to HMRC so they feel engaged and proud to work for us and play their part in delivering the Department's commitments.

We will deliver this in the context of Civil Service reform, which clearly articulates the case for change, including the need to develop a more agile Civil Service with flatter management structures, less bureaucracy and improved services at reduced cost.

## Delivery in 2013-14

We will ensure that HR is integrated into the HMRC business strategy and planning teams to support our Executive Committee in developing the HMRC strategic direction and business plans. Our work in 2013-14 will be themed around four main areas:

### Leadership and management

We will continue enhancing the capability of our leaders and managers by explaining what we expect from them and investing in their development. The new Civil Service Competency Framework will be used to define what core skills, accountabilities and behaviours are required, so we can create leaders who will drive business performance for the whole organisation and support our people in reaching their potential. Increased leadership capability will ensure we deliver against our business objectives and provide the service our customers need.

### Skills and professions

As part of Civil Service reform we will develop and start delivering a five-year capabilities plan to identify what skills we have, what is missing and how gaps will be filled. We will also start to increase management capability in our digital service, how we continuously improve as an organisation, programme management and in our commercial transactions.

We will work across HMRC to increase the professionalism and effectiveness of our people by clearly defining the skills and capabilities that we need and providing the development framework, career paths and a learning strategy to support this, with particular focus on our core professions of tax and operational delivery.

### Building a sustainable organisation

It is crucial that HMRC is a flexible organisation that is able to adapt to key customer and revenue objectives in 2013-14 and beyond. For example, the Government's recent Spending Review announcement will mean reducing our workforce to 52,000 full-time equivalent staff by the end of March 2016. As the Department evolves, our priority will be to ensure that we have the right people in the right places, doing the right work. We want staff to be proud that they work for HMRC and we will continue working towards that goal so they feel the organisation is truly supporting the customers and communities they serve.

### Improving HR

In 2013-14 we will continue to build HR's professionalism, reputation, expertise and closeness to the operational business to ensure that we continue to improve our HR service and enable the delivery of HMRC operational objectives.

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## Building a sustainable organisation

We need to make sure that HMRC has the right people in the right places, doing the right work, in order to deliver our key customer and revenue objectives in 2013-14 and beyond

# 1,700

people started tax training



## How we measure success

In 2013-14 we will measure our performance across four key themes:

- leadership and management
- skills and professions
- building a sustainable organisation
- improving HR.

We will measure improvements in leadership capability and change management, with the aim of achieving the Civil Service average of 35.5 per cent from our current 2012 score of 24 per cent. We will also measure progress in staff engagement, which stands at 46 per cent in HMRC, compared to the Civil Service average of 57 per cent.

We will closely monitor and evaluate our approach to diversity, so we can better reflect the communities we serve, and make sure we have the right people in the right roles at the right time with the right skills to deliver our operational business targets.

It is important that as the size and shape of the Civil Service undergoes reform, we can demonstrate clearly how changes to our workforce has a positive impact on business performance.



