Building our Future
Transforming the way HMRC serves the UK
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What HMRC does matters to the UK: we collect the money that pays for public services, and help families and individuals with targeted financial support. We help the honest majority to get their tax right, and make it hard for the dishonest minority to cheat the system.
Building our Future – an update

HM Revenue and Customs (HMRC) must continually adapt to the times we’re in, reflecting the changing needs and expectations of our customers, the government and other stakeholders. This briefing provides an update on Building our Future, the ambitious programme of work we’re undertaking as we seek to create an effective, efficient and impartial tax and payments authority.

What we’re doing

This time last year, we explained how we are transforming the way we do business through new digital ways of working – making life simpler for our customers and for our people. There are six areas that, together, will deliver this transformation:

• creating personalised online accounts to give our customers a single view of their dealings with HMRC
• moving the reporting and payment of tax closer to real-time
• making it easier for people to get their taxes and entitlements right
• targeting deliberate wrongdoing
• investing in a highly-skilled workforce
• investing in cutting-edge IT.

Where we are now

We’ve already made big changes to the way we work, helping us to bring in more revenue than ever before. In 2014-15 we generated a total of £517.7 billion in tax revenues – up from £505.8 billion in the previous year. This includes a record £26.6 billion in additional compliance revenues generated through targeted action against tax dodgers.

We’ve worked hard to reduce our costs, making £210 million of efficiencies last year, bringing our total sustainable cost savings over the past four years to £991 million – exceeding our target by £25 million. These reductions have largely come through continuing to reduce the size of our estate and our workforce and by securing better IT at lower cost.

At the same time, we continue to recruit people into roles to support customers and improve compliance – helping customers to get things right and cracking down on tax cheats.
Despite our best efforts, our customer service hasn’t always reached the consistent standards day-in, day-out that we want to provide, and at times it just hasn’t been up to scratch. In busy periods, customers have struggled to get through to us on the phone and have had to wait too long for letters and forms to be processed.

The sheer scale of our operation and the business peaks we have to manage are big factors in this. We receive more than 60 million phone calls a year, peaking in January for Self Assessment and July for tax credits renewals. We prioritise these calls because customers have to meet a hard deadline. For instance, we handled 3.7 million calls from tax credits customers in July 2014, answering 96 per cent of 1.2 million in the final week alone. We also answered more than 99 per cent of Self Assessment calls on the 31 January deadline day.

Across last year as a whole we dipped on our customer service performance targets (73% compared to 79% in 2013-14). We’ve recruited additional people into customer service teams to improve our service levels. We now routinely move people from other business areas to support customer service in the January and July peaks, thanks to new telephone equipment that lets us switch calls to many more offices outside our dedicated customer service centres.

A new approach

Getting more people to answer phone calls and process post is not a long-term answer to improving customer service: we need fundamentally to transform how we serve customers, making it easier for them to get things right and to serve themselves through online accounts so they don’t need to speak or write to us in the first place.

At the heart of our new approach is the recognition that customer service and compliance are two sides of the same coin, and that improving services up front helps improve compliance. This is what we call our ‘Promote, Prevent, Respond’ approach.

Using new ways of working, alongside automation and cutting-edge digital technology, we want to make it easier for customers to get their tax affairs right first time. As a result, we’ll spend less time correcting avoidable errors and will be able to target our resources on tackling complex cases and those who deliberately set out to cheat the system.
Promote: getting it right early

We know that the overwhelming majority of businesses and individuals are honest and want to meet their obligations. So we want to make it as easy as possible for them to file and pay their taxes, or claim tax credits, on time. We’re improving our processes and, where necessary, changing legislation in order to get the right outcomes for our customers from the very beginning.

A great example is Self Assessment, where we’re proactively removing people who no longer need to fill in an annual tax return (last year we took 225,000 people out) while improving our processes to tackle problem areas. Many employers are now able to report benefits in kind, such as company cars and private medical insurance, in the same way as PAYE - as and when the benefit is received throughout the year - enabling us to adjust tax codes as soon as we are notified. This means that customers will be less likely to be on the wrong tax code and face a bill to repay tax at the end of the year.

The biggest change we’re making is to introduce personalised online tax accounts for all UK businesses and individuals. These accounts will bring all of a taxpayer’s affairs together into a single place, just like an online bank account, giving them an up-to-date view of their liabilities and showing them how their tax has been calculated.

They’ll also help customers to report and pay their tax due throughout the year in real-time, reducing the scope for error, evasion and debt and bringing about the end of the annual tax return, as announced by the Chancellor in the March 2015 Budget.

We already have 2.3 million customers using our Business Digital Tax Account - and we’re expecting this to more than double to five million by next year. We’ve also launched a test version of our Personal Digital Tax Account, which we’ll roll out to ten million individuals by early 2016. These accounts are further evidence of the progress we’re making to move more of our services online. By 2020, we’ll have 50 million customers using them.

Similarly, we’re making it easier for tax credits customers to renew online - one third of them have done so this year, with high satisfaction levels.
Prevent: stopping things from going wrong

Our aim is to get customers to self-serve wherever possible, correcting errors themselves when they file, pay or claim and so avoiding a lot of back-and-forth with HMRC.

Using data that we already have for individuals and companies to identify and predict risks, we’ll give people an opportunity to check information and put things right before they submit returns. We’ve started automatically adding employment information to Self Assessment returns and over time we plan to add information from banks and property-letting companies. Pre-populating forms ensures people don’t forget to tell us something.

Of course, customers will still need to contact us, and we’re giving them new ways to do so. Early in 2015 we started a series of trials to test new tools such as web chats, social media and secure messaging. We also introduced a new telephone and mobile adviser service for people who need extra help with their tax and entitlements; and put in place arrangements for customers to pre-register for the new Marriage Allowance, ahead of it going live this year.

In the tax credits system, we reduced error and fraud to an all-time low of 4.4 per cent in 2013-14, the third consecutive annual decrease. In real terms that means error and fraud now stands at £1.26 billion – almost £1 billion less compared to 2010-11.

Respond: tackling complex cases and deliberate cheats

Some people will always push the boundaries or break the rules - and HMRC will always be ready with a strong response where needed. Since 2010, our criminal investigations work has led to 2,556 convictions and prison sentences totalling more than 3,000 years.

By designing out error from our systems and making it harder for the dishonest minority to cheat, our specialist compliance teams can in future target wrongdoing more efficiently. They’ll be able to focus on high-yield tax avoiders, evaders and organised criminal gangs, working on complex and challenging cases that will require enhanced legal, digital and analytical skills.

We’re bringing in more compliance revenue than ever before, bearing down on those who try to cheat the system. Last year, we protected more than £9 billion in tax revenues through legal action in the courts, and we secured important new compliance powers, such as accelerated payments for tax avoiders and a diverted profits tax for multinationals that try to move their UK profits to other countries.
Exploiting the power of smart data

Data, and having the technology to exploit it fully, is the key to our new compliance approach. We’re moving all our information into a single storage space, called the ‘enterprise data hub’, where we’ll be able to see everything we know about each customer in one place, making it available to operational teams who need it, from contact centres to debt management.

The new hub will give us the capacity to store 960 terabytes of data – ten times more than our current capacity and 20 times what the Hubble Space Telescope has collected in the last 20 years. It will enable us to combine our data with other information, including data from external sources like social media, the Land Registry and credit and debit card sales.

With instant access to all of our information from their desktops, powerful new tools will enable our analysts to produce sophisticated customer insight. This will help us to adapt digital services to suit customers’ needs and spot emerging compliance risks and how best to respond to them. We’re building a data engineering centre in Manchester to make data and tools available to analysts across the department, to ensure we fully exploit this valuable asset.

The new data hub will include additional security that protects data so it can be accessed only by people with agreed roles, permissions and security clearance. It breaks new ground for this sort of security anywhere in the world.

Building our future workplaces

The scale and pace of this progress has big implications for HMRC’s people: what it will feel like to work here; the types of jobs we’ll be doing and the skills we need; and the kind of workplaces we’ll be based in.

We’ve already announced that, by 2020, most of our workforce will be based in a smaller network of regional centres in large urban areas. These will bring our professions and lines of business together into fewer locations, with cutting-edge IT and infrastructure, so we can collaborate better, work more effectively and flexibly and develop the highly-skilled workforce we need for the future. Ultimately, this will help us deliver better services for our customers around the UK.

A bold vision

We have a bold vision for the future of HMRC: a flexible, highly-skilled workforce, using smart data and innovative digital systems to prevent error, root out tax evasion, avoidance and fraud and maximise revenues. At its heart is improved customer service while incorporating compliance into everything we do. We’ve started to build this future - and while there’s a lot of work still to do, our record-breaking results prove that our approach is working for UK taxpayers.