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HMRC's performance in 2017–18

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The Committee of Public Accounts

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Summary

HM Revenue & Customs (HMRC) has a daunting task as it prepares for the UK's exit from the European Union, in whichever form that takes, whilst reprioritising its ongoing projects and day to day services. The Committee recognises these challenges but we remain concerned about the risks to customs and borders post Brexit and the impact on British businesses. The recently announced further delay to HMRC's new Customs Declaration Service, which means that it is very unlikely to be ready for exporters by the time of Brexit, and the need for further development of HMRC's systems so that by March 2019 they can handle postponed accounting for import VAT in the event of no deal, underline the risks. We have written separately to HMRC to emphasise our continued concerns.

And whilst managing these projects, and with staff and resources diverted, HMRC has had to make choices about how it delivers its ongoing work. Error and fraud in Tax Credits is a long-standing problem for HMRC, with £1.3 billion lost to error and fraud in 2016–17 alone. It is very disappointing that HMRC expects the rate of overpayments to increase and exceed its target to keep error and fraud below 5% of Tax Credit payments. Our concerns last year that HMRC lacked an incentive to reduce error and fraud in Tax Credits have now come to fruition. HMRC has de-prioritised action to reduce error and fraud because Tax Credits are being replaced by Universal Credit.

We remain concerned about HMRC's management of tax reliefs. There are too many reliefs where HMRC has only a limited understanding of whether they represent value for money. We are also concerned by the variable standard of Pay As You Earn (PAYE) administration by employers and pension providers. Poor administration leads to errors in tax collected, causes problems for taxpayers and results in errors in Tax Credits and Universal Credit payments. HMRC has tried to encourage employers to improve administration of PAYE but considers it does not have the sanctions to tackle the issue effectively. HMRC's customer service targets are too narrowly focused and do not help it understand the overall quality of service it provides to individuals and to businesses.

Introduction

HM Revenue & Customs (HMRC) is the UK's tax authority, responsible for collecting tax from individuals and businesses, and providing support to families and individuals through Personal Tax Credits (Tax Credits) and Child Benefit. In 2017–18, HMRC raised £605.8 billion of tax revenues, an increase of £30.9 billion (5.4%) on 2016–17. It estimates the value of its activities to collect and protect tax revenue in 2017–18 was £30.3 billion, 8.2% above its target (£28.0 billion). In 2017–18, HMRC paid out £38.0 billion in Tax Credits and Child Benefit, approximately one-fifth of the government's total benefit expenditure. HMRC estimates that error and fraud resulted in overpayments of Tax Credits of £1.3 billion, and underpayments of £0.2 billion, in 2016–17 (the most recent year available). HMRC's total forecast of the costs of tax reliefs – which reduce tax for particular groups, individuals or things - for 2017–18 is £416.8 billion, an increase of £13.1 billion (3.2%) on 2016–17, but this reflects the costs of 185 of the 424 tax reliefs it administers. In 2017–18, HMRC achieved its six customer service targets for processing post, for processing Tax Credits and Child Benefit claims and changes of circumstances, and for answering calls to its helplines. HMRC narrowly missed its other two customer service targets, for customer satisfaction with its digital services and the time to process online forms submitted by customers.

Conclusions and recommendations

1. **HMRC expects the rate of error and fraud in Tax Credits to rise and exceed its target, but it has de-prioritised improvements to reduce these losses.** HMRC has a target for the level of error and fraud in Tax Credits to be no more than 5% of its overall spending on Tax Credits. HMRC estimates that error and fraud led to overpayments equal to 4.9% of spending on Tax Credits in 2016–17, which was lower than the 7% to 8% it had forecast. HMRC now expects the error rate to rise to 5.5% in 2017–18, and to 6% in 2018–19. HMRC's forecasts reflect the reduction in resources for tackling error and fraud following the termination of its contract with Concentrix in November 2016. HMRC told us that, as Tax Credits are being replaced by Universal Credit, they "are not a permanent feature of the landscape" and therefore the appetite within government to change existing systems and processes is very low. HMRC does not report what factors cause error and what factors cause fraud and has cancelled its plans to improve its systems and thus help people make and change Tax Credits claims. Weaknesses in the accuracy of HMRC's forecasting of error and fraud mean that it does not have a good understanding of the wider costs of it de-prioritising improvements to the Tax Credits system. We are concerned that HMRC's decisions on Tax Credits error and fraud are not well-informed and it is not adequately safeguarding public money.

   Recommendation: ***HMRC should, in its next annual error and fraud statistics, include an explanation of the impacts of terminating the Concentrix contract and de-prioritising improvements to the Tax Credits system, and an explanation of the different causes of error and fraud. By April 2019, HMRC should report to the Committee on what actions it is taking to help claimants avoid errors and what impact these actions are expected to have on overpayments and underpayments.***

2. **New mandatory reporting by multinational enterprises helps HMRC assess compliance risks, but it has not been adequately involved in plans for a register which would help it tackle compliance risks from properties owned by overseas companies.** HMRC gains new powers and access to information to help it tackle risks to tax compliance. It is now getting better access to data on multinational enterprises through country-by-country reporting which requires these enterprises to give HMRC financial information, including how much tax they have paid in each of the jurisdictions where they have a presence. HMRC told us this data is helping it assess the risks of non-compliance by multinational enterprises. The Department for Business, Energy & Industrial Strategy is leading a project to introduce a register in 2021 of those people benefitting from property owned by overseas companies. HMRC told us this register should help it tackle avoidance and evasion of both property tax, and tax due on the money used to purchase properties. However, HMRC's senior-level engagement with the project appears to have been limited. HMRC was unaware of how the government would enforce the register or validate the information held.

   Recommendation: ***HMRC, by April 2019, should write to the Committee setting out what actions it has taken to secure the opportunities provided by the register to tackle tax avoidance and evasion arising from properties owned by overseas companies.***

3. **HMRC does not know whether a large number of tax reliefs deliver value for money.** HMRC currently provides 424 tax reliefs. The number of tax reliefs continues to grow, increasing the complexity of the tax system. HMRC estimates that 105 of these tax reliefs cost £416.8 billion in 2017–18. HMRC estimates that a further 80 tax reliefs have nil or negligible cost. But HMRC does not report a cost for the remaining 239 tax reliefs because in the large majority of cases it considers the cost of collecting the data needed would be disproportionate, although it does make internal estimates for some of these reliefs. Gaps in HMRC's understanding of costs means it cannot assess the value for money of many tax reliefs designed to deliver particular policy objectives. It also limits the input HMRC can make into HM Treasury's decisions on the design and scale of existing and new reliefs.

   Recommendation: ***HMRC should take more responsibility for ensuring tax reliefs provide value for money. In particular, HMRC should set out, by April 2019, an approach for improving its understanding of the cost for those tax reliefs where it does not already have that information.***

4. **HMRC's management of taxes and Tax Credits is hindered by the poor administration of PAYE by some employers and pension providers.** HMRC told us that the quality of PAYE administration by employers and pension providers is variable. Poor administration of PAYE by employers can result in the wrong amount of Income Tax being deducted from employees' earnings and leads to many of those affected contacting HMRC to discuss their tax. Inaccuracies in PAYE can also result in HMRC receiving inaccurate data from employers and pension providers, and can lead to errors in Tax Credits, and in Universal Credit administered by the Department for Work and Pensions. HMRC told us that it had held senior level discussions with some employers with large workforces to encourage them to improve their administration of PAYE, but it said it does not have sanctions that it can apply. HMRC told us that, as part of the Spending Review, it is developing proposals for Minsters on how to improve PAYE administration by employers and pension providers.

   Recommendation: ***HMRC should report back to the Committee by the end of 2018 on how it will improve the quality of PAYE administration by employers and pension providers. In subsequent years, HMRC should report publicly on changes in the quality of PAYE administration and how this is affecting taxpayers, Tax Credits and Universal Credit.***

5. **HMRC's customer service targets are too narrow and do not provide a full picture of performance, limiting their value to the Department in identifying future risks to customer service.** HMRC is changing its services to reduce the calls and letters it needs to respond to. HMRC achieved six of its eight customer service targets in 2017–18. It met its targets for processing Tax Credits and Child Benefit claims and changes, and responding to customer post, with performance similar to 2016–17 levels. It also achieved its targets for call handling but performance was lower than in 2016–17. HMRC's performance against its digital targets declined in 2017–18 and it missed both targets. For call handling, HMRC's performance results show the average speed to answer calls from when a caller enters a queue to speak to an adviser. But this does not include the time callers spend listening and responding to automated messages, meaning the results only provide a partial view of call

waiting times. HMRC's performance targets do not cover other important aspects of customer experience, such as the quality of advice received by individuals, or the quality of service given to businesses. HMRC's surveys show that business satisfaction with its services varies, with only 55% of mid-sized businesses rating their overall experience of dealing with HMRC positively. HMRC told us that it has recently changed the support it provides to mid-sized businesses, but it does not yet know the impact of this on their satisfaction. HMRC recognises the need to develop its performance measures and told us that it plans to put in place a balanced scorecard of performance measures which it can track and report on from 2019–20.

Recommendation: ***HMRC should, by the start of 2019–20, develop and report a scorecard of performance measures which provides a broader overview of the customer experience of both businesses and individuals, including measures of quality and a full view of call waiting time.***

1 Administration of Tax Credits and taxes

1. On the basis of a Report by the Comptroller and Auditor General, we took evidence from HM Revenue & Customs (HMRC) on its performance in 2017–18.[1]

2. HMRC is the UK's tax authority, responsible for collecting tax from individuals and businesses, and providing support to families and individuals through Personal Tax Credits (Tax Credits) and Child Benefit.[2] The cost of running HMRC was £3.5 billion in 2017–18. HMRC raised £605.8 billion of tax revenues in 2017–18 (some 85% of total revenues raised by government), an increase of £30.9 billion (5.4%) compared to 2016–17. HMRC estimates the value of its activities to collect and protect tax revenue in 2017–18 was £30.3 billion, which exceeded its target by 8.2% (£28.0 billion) and its performance in 2016–17 (£28.9 billion). HMRC's total forecast of the costs of tax reliefs – which reduce tax for particular groups, individuals or things - for 2017–18 is £416.8 billion, an increase of £13.1 billion (3.2%) on 2016–17. This estimate reflects the costs of 105 reliefs. HMRC assesses a further 80 reliefs have either a nil or negligible cost. It has not reported estimates of cost for the remaining 239 reliefs.[3]

3. HMRC's preparations for the UK's exit from the EU include developing systems to handle customs declarations and postponed accounting for import VAT. We have written separately to HMRC to emphasise our continued concerns about the progress HMRC is making.[4]

Error and Fraud in Tax Credits

4. HMRC administers Tax Credits which are designed to support families with children; tackle child poverty; and help to make sure that work pays more than welfare. HMRC paid out £38.0 billion in Tax Credits and Child Benefit in 2017–18, approximately one-fifth of the government's total expenditure on benefits. Error and fraud in Tax Credits has been a significant challenge for HMRC since they were introduced in 2003.[5] HMRC has a target for error and fraud in Tax Credits to be no more than 5% of Tax Credit payments.[6] HMRC's most recent statistics on error and fraud in Tax Credits cover the period up to 2016–17. The statistics show that, in 2016–17, losses due to error and fraud amounted to £1.3 billion; 4.9% of HMRC's total expenditure on Tax Credits. The rate of error and fraud was lower than the 7% to 8% HMRC had forecast in 2017. HMRC also underpaid claimants by £200 million in 2016–17.[7] In our January 2018 report on HMRC's performance in 2016–17, we concluded that HMRC lacks an incentive to reduce Tax Credits error and fraud in the transition period to Universal Credit.[8]

1 Report by the Comptroller and Auditor General, HM Revenue & Customs Annual Report and Accounts 2017–18, Session 2017–19, HC 1222, 12 July 2018
2 C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, page 8
3 C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, paras, 2, 6, 1.16, 1.27
4 Correspondence from Chair of the Public Accounts Committee to HM Revenue and Customs Chief Executive and Permanent Secretary
5 C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, paras 2, 3.1, 3.5
6 HM Revenue & Customs, Corporate report; Single departmental plan 2015 to 2020, Updated 13 July 2017
7 C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, paras 3.7, 3.10; HM Revenue & Customs, Personal Tax Credits Statistics: Child and Working Tax Credits Error and Fraud Statistics 2016–17, 21 June 2018
8 Committee of Public Accounts, HMRC's Performance in 2016–17, Session 2017–19, HC 456, 12 Jan 2018

5. HMRC told us that error and fraud in Tax Credits was lower in 2016–17 than it had forecast because it had overestimated both the impact of a new test on self-employed peoples' Tax Credits, and the impact of the termination of its contract with Concentrix. The contract was terminated in November 2016 following a decline in performance. HMRC told us that it had estimated that the 'commercial with a view to profit' test applied to self-employed peoples' Tax Credits from April 2016 would increase the error rate by 1% in 2016–17. However, HMRC admitted that the sample it had used was too small to provide a robust estimate of the likely increase in error. HMRC said the actual increase in the error rate from the new test in 2016–17 was 0.2%.[9] HMRC had also forecast that termination of the Concentrix contract would add 1% to the error rate as: Concentrix did not undertake the agreed level of interventions; HMRC staff were redeployed from business as usual activities onto compliance cases previously dealt with by Concentrix and subsequently bought in-house; and, following the termination of the contract, there was a reduction in the total number of staff tackling error and fraud in Tax Credits.[10] HMRC told us the termination of the Concentrix contract did not have an impact on the level of error and fraud in 2016–17, but that it still believes the termination of the contract will add 1% to the error rate in subsequent years.[11]

6. The level of error and fraud in Tax Credits in 2016–17 was similar to the level in 2015–16 (4.8%). We asked why the level of error and fraud was not reducing. HMRC asserted that there were three reasons. First, the design of the benefit was systemically flawed as the cycle of annual assessments does not suit those people whose employment and other circumstances change more frequently. Second, fewer resources are being put into administering Tax Credits since the termination of the Concentrix contract. Third, the appetite within government to change existing systems and processes "is very low" as Tax Credits are being replaced by Universal Credit in the period to 2023, and "are not a permanent feature of the landscape".[12] HMRC confirmed that it was not proceeding with some transformation projects that would have helped people claim Tax Credits and notify HMRC of changes of circumstances which affect their entitlement to Tax Credits. But HMRC said it had learned lessons from the Concentrix contract on how to prevent and respond to error and fraud. HMRC told us that, since the contract was terminated, it had taken a number of actions, including working with customer and third sector groups to look at how to encourage customers to inform HMRC in a timelier manner about changes in their circumstances.[13]

7. We asked HMRC whether in its future statistics on Tax Credits error and fraud it would separate out the impact of the termination of the Concentrix contract. It agreed to do so. HMRC said the termination of the contract was the primary driver of why it expected the rate of error and fraud to rise to 5.5% of Tax Credits payments in 2017– 18 and 6% in 2018–19.[14] We also asked whether HMRC could separate error and fraud in its statistics as the actions HMRC should take to address mistakes are very different to those needed to address claimants deliberately misrepresenting their circumstances. HMRC agreed to give more information in the narrative to future statistics.[15] In the statistics it

9 Q 10; C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, para 3.11; Committee of Public Accounts, HMRC's Performance in 2016–17, Session 2017–19, HC 456, 12 Jan 2018, para 28
10 C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, 3.11; page 84
11 Qq 10, 34
12 Q 11, C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, para 3.7
13 Q 39
14 Qq 10, 34–35
15 Qq 37–38

published in June 2018, HMRC reported separate figures for the value of error and the value of fraud, but it did not include separate analysis on factors causing error and the factors causing fraud.[16]

Access to information and new powers

8. HMRC is gaining new powers and access to information which should help it tackle risks to tax compliance and collect tax revenue, including country-by-country reporting by multinational enterprises.[17] Country-by-country reporting came into effect in 2016 and aims to help HMRC better assess international tax avoidance risks. The regulations require that UK multinational corporations give HMRC financial information, including how much tax they have paid in each of the jurisdictions where they have a presence.[18] We asked whether country-by-country reporting had helped HMRC understand how companies were allocating their profits. HMRC said the reports provide information up-front which helps its risk assessment. It considered the reporting "makes a marginal difference" as in general it would have been able to obtain the same information by opening an enquiry, but the information will help it to target its inquires better and make them faster.[19]

9. The Government is due to introduce, in 2021, a new register of the owners of overseas companies which own property in the UK. The register is intended to make it easier for regulators, legitimate businesses and the general public to know who the true owners of UK property are.[20] HMRC told us that the register was important for its management of tax avoidance and evasion. It explained that there were two implications of foreign company ownership of property that the register might help it address. First, the property might have been purchased with money on which a UK taxpayer had not paid the right tax. Second, the information on the register will help HMRC to tackle avoidance or evasion of stamp duty land tax or capital gains tax by people hiding behind entities.[21]

10. We asked HMRC whether it expects to undertake enforcement activities for the register. HMRC said it was not aware that it would be directly responsible for enforcing compliance. We also asked HMRC whether it would have a role in validating information on the register. HMRC said it was not aware it would have such a role. It told us that the project was being led by the Department for Business, Energy & Industrial Strategy. HMRC said that its fraud investigation team was part of a cross-departmental working group that was considering enforcement of the register. HMRC also told us that it had not assessed the increase in tax revenue it expects from the introduction of the register.[22]

16 HM Revenue & Customs, Personal Tax Credits Statistics: Child and Working Tax Credits Error and Fraud Statistics 2016–17, 21 June 2018

17 Qq 1, 3

18 Q 3; HMRC Revenue & Customs, Policy paper: Amendments to Country By Country reporting 2017

19 Qq 2–3

20 Department for Business, Energy & Industrial Strategy, A Register of beneficial owners of overseas companies and other legal entities: Understanding the potential impacts of the proposed register through qualitative interviews with industry stakeholders, July 2018, page 2

21 Qq 104, 110

22 Qq 105–111

Tax reliefs

11. Tax reliefs are designed to benefit the economy or support wider government aims by reducing tax, for example, for particular groups, individuals or things.[23] HM Treasury is responsible for the design of tax reliefs, which HMRC administers.[24] We previously examined HMRC's administration of tax reliefs in our 2016 report on HMRC's performance in 2015–16. We concluded that, despite repeated recommendations, HMRC "still does not make tax reliefs sufficiently visible to support parliamentary scrutiny and public debate about areas where the UK chooses not to collect tax." We recommended that HMRC include an analysis of tax reliefs and their costs in its annual report and make clear why it collects data for a minority of tax reliefs.[25] HMRC accepted our recommendation.[26] It now includes a summary of the cost of tax reliefs in its annual report, and publishes material showing the cost of individual reliefs, or stating the reason why it has not costed a relief.[27]

12. HMRC's total forecast of the costs of tax reliefs for 2017–18 is £416.8 billion. HMRC's annual report explains this estimate reflects the costs of 105 reliefs. HMRC assesses a further 80 reliefs have either a nil or negligible cost. It has not published estimates of the cost of the remaining 239 reliefs.[28] HMRC told us that for 179 of these 239 reliefs, information on the use of the relief is not required in tax returns and HMRC judges the cost of collecting usage data would be disproportionate.[29]

13. We asked how HMRC knew whether tax reliefs provided value for money if it did not know how much 239 reliefs cost. HMRC told us there were two types of reliefs: those that are structural and define the tax base (such as personal allowances); and those that are considered 'tax expenditure' as they are designed to achieve particular policy objectives (such as entrepreneurs' relief). HMRC asserted that for structural reliefs "the question of whether they are value for money does not necessarily arise in the normal way." It said it determines which of the 'tax expenditure' reliefs to evaluate by considering their nature, costs, risks and issues, and political priority. Where HMRC does not have cost data it can "make some estimates" or "do a one-off exercise" to collect some data. However, it said the volume of reliefs means that it cannot undertake such exercises every year for every relief. As some of the 239 reliefs are likely to impose large costs, we remain unconvinced that HMRC is giving sufficient attention to ensuring all tax reliefs are providing value for money.[30]

14. We asked HMRC whether it had looked at the number of reliefs and made recommendations to help HM Treasury simplify the system so that it is easier for people completing their tax returns. It said the Government recognises, such as by having the

23 HM Revenue & Customs, Annual Report and Accounts 2017–18, Session 2017–19, HC 1222, page 47
24 Report by the Comptroller and Auditor General, The exchequer departments: Tax reliefs, Session 2013–14, HC 1256, 7 April 2014, para 1.2
25 Committee of Public Accounts, HM Revenue & Customs performance in 2015–16, Session 2016–17, HC 712, 02 Dec 2016, page 5
26 HM Treasury, Treasury Minutes Progress Report: Government responses to the Committee of Public Accounts: Sessions 2010–12, 2012–13, 2013–14, 2014–15, 2015–16 and 2016–17, Cm 9506, 19 Oct 2017, page 188
27 HM Revenue & Customs, Annual Report and Accounts 2017–18, page 47
28 C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, para 1.16; page 47
29 Q 96
30 Qq 96–98

Office of Tax Simplification, that the tax system needs to be simplified. However, the list of reliefs continues to grow as the number of new ones added by Governments and Parliament exceeds those removed.[31]

Pay As You Earn

15. Pay As You Earn (PAYE) is the system through which employers and pension providers (known as 'intermediaries') deduct Income Tax and National Insurance contributions from wages and pension payments. Employers' responsibilities for PAYE include: deducting Income Tax and National Insurance from earnings; reporting information on earnings and deductions to HMRC; and paying HMRC the deductions they have made. HMRC and the Department for Work and Pensions use the information provided by intermediaries to administer Tax Credits and Universal Credit respectively.[32]

16. HMRC told us that the standard of PAYE administration by employers is variable and some employers do not administer PAYE to the standard that it expects. It told us that this was particularly true for those employers with large workforces where the nature of employment and the hours worked are fluid which can lead to poorer administration of PAYE than where the workforce is more stable. HMRC explained that poor administration of PAYE by employers leads to errors in payslips which then leads to many taxpayers contacting HMRC about their tax. It said that better administration of PAYE by intermediaries would be beneficial for taxpayers. HMRC also explained that poor administration flows through into the quality of PAYE data it receives from employers, and also into Tax Credits. It acknowledged that poor quality PAYE data "raises questions" for Universal Credit.[33]

17. HMRC told us that it had drawn up a list of employers whose administration of PAYE was not good enough. The list includes organisations in the retail and food sectors, and also some NHS trusts. HMRC said it had "gone chief executive to chief executive" with a couple of employers. But it told us that it did not have sanctions that it could apply to those whose administration of PAYE was poor, and neither was there a merit award or gold standard for PAYE administration. HMRC said it was preparing proposals to improve PAYE administration by intermediaries for Ministers to consider as part of the Spending Review.[34]

31 Qq 100, 103
32 Q 12; HM Government, Tackling Fraud, Error and Debt in the benefits and tax credits system, March 2015, page6
33 Qq 12,19, 22
34 Qq 14–16, 20–22

2 Transformation and customer service

18. HMRC is two years into a major transformation programme through which it aims to become one of the most digitally advanced tax administrations in the world. Through Spending Review 2015, HMRC received £1.8 billion to fund its transformation between 2016–17 and 2019–20. In return, HMRC committed to making cumulative efficiency savings of £1.9 billion by 2019–20.[35] HMRC's planned savings include reducing the volume of telephone calls and letters it needs to respond to, by providing customers with new digital services.[36]

19. When we last reported on HMRC's performance in January 2018, we concluded that HMRC's transformation programme was not deliverable as planned due to unrealistic assumptions, and because of increased pressure from the additional workload caused by the UK's decision to leave the European Union.[37] HMRC has since undertaken a structured prioritisation of its transformation programme to release staff for priority work, reduce risks to delivery and reduce the cost of transformation.[38]

Customer service

20. HMRC has eight key targets against which it judges its customer service. The targets include the times taken to: process UK and overseas Tax Credits and Child Benefit claims; respond to post; answer telephone calls; and process online forms. There is also a target for the levels of customer satisfaction with HMRC's digital services. HMRC achieved six of the targets in 2017–18. It met both its targets for processing Tax Credits and Child Benefit claims and changes, and both its targets for responding to customer post, with performance similar to 2016–17 levels. On average HMRC processed UK Tax Credits and Child Benefit claims and changes in 13.8 days in 2017–18 (target 22 days), and overseas claims and changes in 55.6 days (target 92 days). It responded to 81% of post in 15 days (target 80%), and 97% in 40 days (target 95%). HMRC also met its two targets for handling telephone calls but its performance was below 2016–17 levels. On average, HMRC answered calls in 4 minutes 28 seconds (target 5 minutes), with 14.6% of calls waiting longer than 10 minutes (target not more than 15%). HMRC's performance against its two digital targets fell in 2017–18, and it missed both targets. Customer satisfaction with HMRC's digital services was 79.8%, just below the 80% target. HMRC processed 94.6% of online forms submitted by customers in 7 days against a target of 95%.[39]

21. We examined HMRC's customer service targets as part of our report on HMRC's performance in 2016–17. We found that the average time it takes for customers to speak to an adviser when they call is longer than HMRC claimed as it does not report the time people spend in its automated telephony system listening and responding to messages before they enter a queue for an adviser.[40] HMRC disagreed with our recommendation that it include automated telephony time within its 5 minute speed to answer target. It said there was no industry standard on how waiting times are measured and that its

35 C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, para 9
36 Committee of Public Accounts, HMRC's Performance in 2016–17, Session 2017–19, HC 456, paras 20, 21; C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, Figure 20, page 42
37 Committee of Public Accounts, HMRC's Performance in 2016–17, Session 2017–19, HC 456, page 5
38 C&AG's Report, HM Revenue & Customs Annual Report and Accounts 2017–18, paras 12, 2.16
39 C&AG's Report in, HM Revenue & Customs Annual Report and Accounts 2017–18,, para 23; pages 31, 34, 48
40 Committee of Public Accounts, HMRC's Performance in 2016–17, Session 2017–19, HC 456, page 7

funding was based on its existing target.[41] In June 2018, we wrote to HMRC to express our disappointment that it had rejected our recommendation. We said at the very least HMRC should be more transparent in reporting call waiting times.[42]

22. We asked HMRC whether it had looked at developing qualitative measures of its service. HMRC admitted that its current customer service targets are narrow and "do not really measure quality at all". It told us that it was developing its measures as part of a balanced scorecard for Ministers to consider. HMRC expects to report on the balanced scorecard of measures from spring 2019.[43] We asked HMRC whether the scorecard of performance measures it was developing would cover the time customers spend in the automated system. HMRC confirmed that the scorecard would.[44] It also agreed to write to us setting out how it was planning to present information on the time customers spend in the automated system in its next annual report.[45]

23. HMRC reported the latest results of its surveys of business satisfaction with its customer services in its 2017–18 annual report. The report showed just over half (55%) of mid-size businesses rated their overall experience of dealing with HMRC positively, compared to four in five large businesses (82%) and almost three-quarters of small businesses (74%).[46] HMRC recognised that mid-size businesses sit between its differing approaches for small business, where it takes a more hands-off approach, and large businesses, which it manages very intensively. HMRC told us that the survey results had led it to introduce a new service for mid-sized businesses over the last 12 months. HMRC now temporarily appoints a customer compliance manager to work with a mid-sized business when it hits a point in its business lifecycle when tax becomes complicated, such as when the business is merging or is in distress. HMRC does not yet know whether its new service has increased the satisfaction levels of mid-sized businesses.[47]

41 HM Treasury, Treasury Minutes Government response to the Committee of Public Accounts on the Twelfth to the Nineteenth reports from Session 2017–19, page 11.
42 Correspondence from Chair of the Public Accounts Committee to HM Revenue and Customs Chief Executive and Permanent Secretary
43 Qq 60, 63
44 Q 64
45 Q 49
46 HM Revenue & Customs Annual Report and Accounts 2017–18, pages 37, 43, 50
47 Q 57

Formal minutes

Wednesday 24 October 2018

Members present:

Meg Hillier, in the Chair

Sir Geoffrey Clifton Brown	Stephen Morgan
Chris Davies	Anne Marie Morris
Caroline Flint	Lee Rowley
Layla Moran	Gareth Snell

Draft Report (*HMRC performance 2017 -18*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 22 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Sixty - Six of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 31 October at 14:00pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Wednesday 5 September 2018

Question number

Jon Thompson, Chief Executive and Permanent Secretary, HM Revenue and Customs, **Jim Harra**, Deputy Chief Executive and Second Permanent Secretary, HM Revenue and Customs, and **Justin Holliday**, Chief Finance Officer, HM Revenue and Customs. Q1–166

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

HMR numbers are generated by the evidence processing system and so may not be complete.

1 ACCA (HMR0003)

2 Dougal Scott Wilson (HMR0001)

3 HMRC (HMR0004)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)

Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)
Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools' finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690 (Cm 9667)
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880 (Cm 9667)

Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696 (Cm 9667)
Forty-First Report	Government risk assessments relating to Carillion	HC 1045 (Cm 9667)
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695 (Cm 9667)
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929
Forty-Fourth Report	Reducing emergency admissions	HC 795
Forty-Fifth Report	The higher education market	HC 693
Forty-Sixth Report	Private Finance Initiatives	HC 894
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304
Fiftieth Report	Financial sustainability of local authorities	HC 970
Fifty-First Report	BBC commercial activities	HC 670
Fifty-Second Report	Converting schools to academies	HC 697
Fifty-Third Report	Ministry of Defence's contract with Annington Property Limited	HC 974
Fifty-Fourth Report	Visit to Washington DC	HC 1404
Fifty-Fifth Report	Employment and Support Allowance	HC 975
Fifty-Sixth Report	Transforming courts and tribunals	HC 976
Fifty-Seventh Report	Supporting Primary Care Services: NHS England's contract with Capita	HC 698
Fifty-Eighth Report	Strategic Suppliers	HC 1031
Fifthy-Ninth Report	Skill shortages in the Armed Forces	HC 1027
Sixtieth Report	Ofsted's inspection of schools	HC1029
Sixty-First Report	Ministry of Defence nuclear programme	HC 1028
Sixty-Second Report	Price increases for generic medications	HC 1184

Sixty-Third Report	Interface between health and social care	HC 1376
Sixty-Fourth Report	Universal Credit	HC 1375
Sixty-Fifth Report	Nuclear Decomissioning Authority	HC 1375
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399