



**HM Revenue
& Customs**

**Jim Harra
Chief Executive and First Permanent
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Dear Ms Hillier,

HMRC Annual Report and Accounts

Today we've published our Annual Report and Accounts for the 2019-20 financial year, alongside our Quarter two 2020-21 performance data and our new Charter.

Our Annual Report shows us building on our strong track record in collecting the money that pays for the UK's public services and giving financial support to people – while responding to new and urgent priorities, such as the UK's exit from the EU and the initial onset of the COVID-19 pandemic.

We continued modernising many of the systems we use to collect tax – our roll-out of Making Tax Digital for VAT was a major milestone towards this, with over 1.4 million businesses signing up. We also met our commitments, set at the start of the government's 2015 Spending Review period, to provide access to digital tax accounts for all small businesses and individuals, raise £5 billion in additional tax revenues per year – and achieve cumulative savings of £1.9 billion over the Spending Review period.

Since March, our work has been central to the government's response to COVID-19. We've implemented the Chancellor's emergency support measures and made temporary changes in both tax policy and the way we operate to respond to the impact of the pandemic on businesses and citizens, and their ability to comply with their obligations. We have done all of this alongside keeping our usual services running and providing a safe working environment for our people. As a result, our digital customer satisfaction figures have increased to highs of over 85%.

Most of our COVID-19 work took place after the financial year covered in this report. It was inevitable we would see an impact from COVID-19 on some of our performance figures for 2020-21. The pandemic resulted in changes to customer behaviour, challenges to the

operational collection of tax, and a financial climate in which tax receipts were likely to be lower than previously estimated.

Our quarter two performance results show that, while many customers are using HMRC's online services to get the information they need, between July and August, HMRC received 7.3 million calls from customers to the helplines. We have focused on ensuring that those customers who want to speak with an advisor are able to do so, and as a result the percentage of advisor attempts handled during quarter 2 of 2020-21 was 83.9%. Advisor attempts handled represent the percentage of calls handled of those customers that wanted to speak to an adviser. With the pandemic continuing and new vital services being delivered by HMRC, the department continues to ask customers to be patient and use the online support wherever possible.

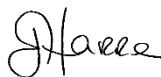
HMRC is also seeing a sustained impact on compliance yield and debt levels. Over the past six months, the department's priority has been to deliver the government support to protect people's livelihoods and help people and businesses get through this difficult time financially. This deliberate decision, combined with the economic impacts of Covid-19, will also affect tax receipts and compliance yield. The department's compliance work has continued, including investigations into CJRS and SEISS error and fraud. In the first 2 quarters of 2020-21, we collected £11.8bn in compliance yield, compared to £21.0bn in the same period last year.

HMRC has published its monthly debt balance data for the first time. It shows an increase in the debt balance to £69.5 billion at September 2020, with £31.5 billion cleared in outstanding debts during the first half of the 2020 to 2021 financial year. The majority of the increased debt balance, £37.8bn, is made up of deferred VAT debt and SA Payment on Account that are not due until next year. As a result of COVID-19, many customers' ability to pay their tax liabilities in full has reduced. The government announced specific schemes for these debts and HMRC continues to offer significant support to customers who need bespoke support through its tried and tested Time to Pay service.

HMRC has adapted and responded to the extraordinary challenges being faced by millions of individuals and businesses. The operational priority has been to deliver the Government support that aims to protect people's livelihoods and help businesses get through this difficult time.

We're proud of our response to the crisis. The pandemic has underlined the need for a flexible, resilient, responsive and effective tax administration system that can handle a vast and widening range of customer circumstances – this is at the heart of our joint ten-year strategy with HM Treasury for 'Building a trusted, modern tax administration system', which we published in July.

Yours sincerely



JIM HARRA
CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY