HM Revenue & Customs

Jim Harra
Chief Executive and First Permanent Secretary

100 Parliament Street
London
SW1A 2BQ

Dame Harriett Baldwin MP
Chair of the Treasury Committee
House of Commons
Palace of Westminster
Westminster
LONDON
SW1A 0AA

15 May 2024

Dear Dame Harriett,

Following the Treasury Select Committee session on Wednesday 24 April 2024, I am writing to provide further information that I committed to send to the Committee and answer your follow up questions. I have also provided a correction to oral evidence given.

1. Occupancy rates of HMRC buildings

HMRC estate

Since 2015, HMRC has been implementing a strategy to move from 170 legacy offices to 14 large regional centres, 5 specialist sites and a headquarters in 100 Parliament Street. The Locations Programme has realised £235m in savings by the end of 2023-24 and is forecast to deliver £907m in savings by 2030-31, with £104m savings per year from 2031 onwards.

As well as meeting HMRC's needs, our Locations Programme has delivered 12 of the 16 Government Hubs across the UK, providing space to other government departments, the majority of which is outside London, thereby supporting the movement of Civil Service roles under the Government's Places for Growth plan. This has involved delivering some additional space over and above HMRC's needs as part of the wider government property strategy, and work with the Government Property Agency (GPA) to sublet that space to other departments. At the end of March 2024, we had sublet around 84,000 square metres of office space, accommodating over 14,500 FTE from 54 OGDs.

Office attendance

From 2nd April, HMRC's policy is that colleagues should attend the office at least 60% of the time, in line with the cross-Civil Service guidelines. Before April, colleagues in operational teams were already expected to attend the office 60% of the time and everyone else 40% of the time. Therefore, there was no change to the expectation for 75% of colleagues.

95% of colleagues who were expected to attend an office did so in March 2024. 60% met or exceeded their office attendance expectation.

We have been increasing office attendance. The proportion of colleagues meeting or exceeding their office attendance expectation increased over 2023-24 and we are working to maintain this trend.

HMRC HQ occupancy

Cabinet Office publications show that HMRC utilised 53% of the space allocated to us in our headquarters building, 100 Parliament Street, in week commencing 25 March 2024. This increased to 66% in week commencing 22 April, after we moved to the 60% attendance expectation for all colleagues. The calculation is based on the average occupancy per calendar month.

Only 1,012 (c2%) out of our total workforce of 61,186 full time equivalent staff are based at 100 Parliament Street. We currently have more space there than we need. Even with full target attendance in March, we would only have used 59% of the currently available space. We are in the process of giving up space in 100 Parliament Street to the GPA and we expect to complete this in June, after which I expect to see a much higher utilisation rate.

Building utilisation by location

While we transition to our new offices, there are some parts of our legacy estate that are bigger than our requirements. As our final new buildings open over the next couple of years, this surplus legacy estate will be reduced. In the week commencing 22 April, on average, HMRC utilised 77% of the strategic office capacity that we are retaining for the long term and 55% in our legacy offices.

You asked for a breakdown of occupancy rates for each HMRC building. Tables 1 and 2 in the annex below show this for our strategic sites and legacy offices respectively in week commencing 22 April.

I trust this information is helpful and provides a fuller reflection of HMRC's office attendance and estates occupancy.

2. Reporting agents to professional bodies

Since 2018, the Agents Compliance Team has made 150 referrals to professional bodies relating to their members' conduct. The breakdown of these results are:

No case to answer	13
Reprimand	11
Reprimand & Financial Penalty/Costs	11
Expulsion	6
Expulsion & Financial Penalty/Costs	11
Not pursued, member left	6
Awaiting decision	92

3. Letters issued using our powers under Section 684(7A)(b) of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA)

In relation to disguised remuneration (DR) tax avoidance schemes and the Loan Charge, the Committee asked a question about how many letters we have issued using our powers under s.684(7A)(b) ITEPA and how many more we intend to issue.

As I explained in my letter of 11 March 2024, we continue to seek to collect tax underpaid as a result of the use of DR tax avoidance, and look to collect from the employer in the first instance, where appropriate. However, we use the powers made available to us by Parliament to collect tax directly from the employee in certain circumstances. The power provided under s.684(7A)(b) ITEPA ("the PAYE discretion") enables us to decide that an employer (actual or deemed) should not be required to operate PAYE on certain income, and collect the tax directly from the taxpayer.

The collection of tax from the taxpayer in these circumstances is consistent with Lord Morse's recommendations, including that HMRC should continue being able to investigate and settle pre-9 December 2010 cases, to which the Loan Charge would no longer apply. Lord Morse was aware of our intention to do this and the extent of our powers, before the conclusion of his review.

In 2022 the Court of Appeal considered a DR case where HMRC had made a decision to use the PAYE discretion. The Court confirmed that the liability for income tax was that of the employee and that, although other parties may have PAYE obligations, HMRC was acting lawfully in collecting the tax from the taxpayer.

Since July 2022, we have issued approximately 3,000 decisions to use the PAYE discretion in relation to cases where the taxpayer's use of a DR tax avoidance scheme was before 9 December 2010. Under our current programme of work, we plan to review the cases of up to a further 3,000 customers for whom we may consider issuing decisions under the PAYE discretion in relation to their use of DR avoidance before 9 December 2010. We expect to undertake those reviews during 2024-25.

We cannot provide you with the tax at stake directly in relation to these notices. As I explained in my letter of 11 March, DR schemes are contrived tax avoidance arrangements that are designed to try to avoid Income Tax and National Insurance contributions on income by disguising it as some other, non-taxable type of payment. HMRC must work through each case individually to assess the amount of disguised income and tax owed.

4. Digital Strategy plans, including the overall direction of travel

Digital First Strategy

As part of HMRC's vision to be a trusted, modern tax and customs department, our strategy is to deliver more of what our customers need through digital services whilst retaining telephone services for those who need to speak to an HMRC advisor, for example those who need assistance to use our digital services, are digitally excluded, vulnerable, or have more complex tax affairs.

Supporting our Customers

We know from a range of insights – including specifically commissioned research – that most customers are digitally able and many report a better experience when using digital services. Overall, 86% of HMRC individual customers say they are willing to interact with us digitally. The main barriers that can stop our customers using digital services are not related to their digital capability, but instead low awareness of the digital services that are available to them and factors such as complexity and a need for reassurance.

To become a digital-first organisation, we will therefore continue enhancing and expanding our digital service offering and awareness; delivering inclusive digital services that address these barriers and meet the needs of our customers. We will focus on:

1. Building awareness of digital channels: proactively raising customers' awareness of digital channels through a mix of mass communication with targeted interventions.

2. Well-designed digital services that incorporate reassurance: improving the use of digital communications through push notifications within the HMRC online account and App, SMS and email to keep our customers better informed about the status of their interactions with HMRC.

3. Improving guidance: GOV.UK is the front door to HMRC; we are investing in improving this guidance and in making sure our customers can easily find what they need.

We remain committed to providing support to customers using the right channel to meet their needs. HMRC will provide specific support to customers who need help to access or use our digital services, through the Online Service Helpdesk.

For customers who may need extra help, such as where their health or personal circumstances make it difficult for them to deal with their tax affairs in the usual way, the Extra Support Team will provide tailored support. This customer group includes customers identified as digitally excluded. We also partner with, and provide funding to, a selection of charitable organisations such as the Good Things Foundation, Tax Aid and Tax Help for Older People to provide third party support on tax issues and using our digital services.

HMRC also recognises the value that agents and professional bodies deliver in supporting customers to move to digital and will continue to work with these partners to better enable them to support customers.

Digital First Ambitions

HMRC previously published our ambition to reduce the volume of contact through phone and post by 30% by the end of 2024-25 compared with 2021-22. We continue to be committed to this, but having listened to stakeholder feedback that our planned activity to deliver channel shift was moving too fast, and are reflecting with stakeholders on how we can realise this ambition as quickly as possible while retaining customer confidence.

We believe in the longer-term that at least 80% of our customer interactions can be through digital self-service. Based on our latest data for 2022-23 showing that 63% of interactions were through digital self-serve channels (2023-24 data is currently being assured, and we can see digital use has increased further) we believe the scale of our ambition is right.

HMRC App Usage

We have extensively promoted the HMRC App in 2023-24 with a significant increase in App downloads as a result. In 2023-24 over 3.8 million customers have used the App 89 million times; a growth of 64% in App downloads when compared with the previous 12 months. The HMRC App has a 4.8/5 rating on the Apple App Store and 4.7/5 on Google Play and is regularly rated as number 1 in finance apps.

Our communications campaign continues into 2024-25 to further increase awareness and use of our digital channels, targeting audiences at the point they need our services (for example teenagers needing their National Insurance number to apply for their first job or student finance) The campaign will help customers know that often the quickest and easiest way for them to access their entitlements and fulfil their obligations is online and through the App. We expect further growth in customer use of the HMRC App and online services, and will be tracking this regularly to ensure we are supporting and encouraging customers who can benefit from our digital services.

5. Prioritisation of resources

As noted in the Written Ministerial Statement on 13 May, HMT ministers have provided an additional £51m of funding for customer service resources.

6. Vulnerable customers

Data collected from our Extra Support Teams suggests that approximately 100,000 customers per year require additional help from HMRC. Customers may need extra help for many different reasons, either permanently or temporarily, depending on their circumstances. We do not collect the data on the specific reasons that lead a customer to need extra support from HMRC.

7. Correction to oral evidence

In response to question 437, I mistakenly said that 100 Parliament Street has the lowest occupancy of our HMRC buildings and that it was about 65% in March.

Cabinet Office publications show that HMRC utilised 53% of the space allocated to us in our headquarters building, 100 Parliament Street in week commencing 25 March 2024. This has already increased to 66% for week commencing 22 April.

Yours sincerely,

JHarra

Jim Harra
CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY

Annex

Table 1: HMRC Building Utilisation week commencing 22 April 24 – strategic sites

Location - strategic sites	**Average Building utilisation** w/c 22nd April
Belfast	78%
Birmingham	77%
Bristol	73%
Cardiff	79%
Croydon	72%
Edinburgh	78%
Glasgow	74%
Leeds	75%
Liverpool	82%
Manchester	79%
Nottingham	76%
Stratford	76%
100 Parliament Street	79%
Gartcosh	98%
Ipswich	83%
Worthing	73%
Total	***77%***

Table 2: HMRC Building Utilisation week commencing 22 April 24 – legacy buildings

Location - legacy buildings	**Average Building utilisation** w/c 22nd April
Newcastle	59%
Portsmouth	49%
Bradford	57%
Dover	35%
East Kilbride	50%
Preston	70%
Reading	21%
Telford	64%
Washington	49%
Total	***55%***