

2024-2025 Supplementary Estimate: Memorandum for HM Revenue & Customs

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1. Overview

1.1 Objectives

Introduction

This Estimate covers the expenditure and income of HM Revenue and Customs (HMRC) including its Executive Agency, the Valuation Office Agency (VOA).

HMRC's vital purpose touches the lives of almost everyone in the UK. We collect the money that pays for the public services that millions of people rely on every day. We also help families and individuals with targeted financial support, such as tax credits, Child Benefit and Tax-Free Childcare.

The VOA provides valuations and property advice needed to support taxation and benefits.

The purpose of this Memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in this Main Estimate will be applied to achieve HMRC's objectives and priority outcomes.

Our vision

Our vision is to be a trusted, modern tax and customs department.

Our values

- We are professional
- We act with integrity
- We show respect
- We are innovative

Our priority outcomes

The government has set the following priorities for HMRC:

1. Close the Tax Gap
2. Improve day to day performance and the overall customer experience
3. Reform and modernisation of Tax and Customs administration

Underpinning this we aim to make HMRC a great place to work; and to support wider government economic aims such as the government's mission for economic growth, through a resilient, agile tax administration system.

We are also supporting the delivery of the following cross-cutting outcomes, led by other government departments:

- Support families, protect young people, and enable all to engage with education and training through high quality local services, early education and childcare (lead department, Department for Education)

- Modernise the UK border to ensure it is world class and fulfils its function to keep us safe, secure and bio-secure, while allowing trade to flow (lead department, Cabinet Office)
- Reducing Crime: Safe neighbourhoods, support for victims and tough action through common-sense policing (lead department, Home Office)

1.2 Spending controls

HMRC's spending is broken down into several different spending totals, for which Parliament's approval is sought.

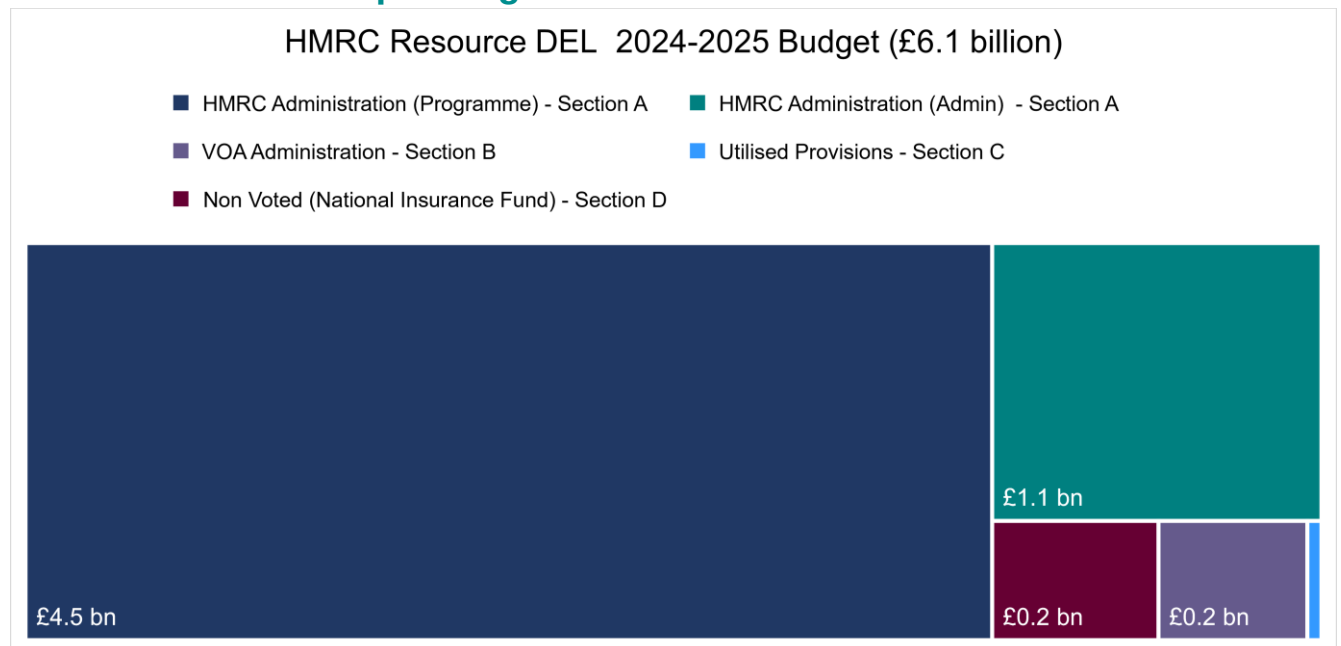
The key spending control totals for HMRC, which Parliament votes, are:

- Resource Departmental Expenditure Limit ("Resource DEL") – typically our day-to-day running costs;
- Capital Departmental Expenditure Limit ("Capital DEL") – investment in infrastructure; and
- Resource Annually Managed Expenditure ("Resource AME") – less predictable (and more difficult to control than expenditure in DEL) day-to-day spending, which includes Tax Credits, Child Benefit, Tax Free Childcare, Lifetime ISA and certain other reliefs and entitlements.

Budgets are split between those voted by Parliament and those where appropriation is covered in other legislation (non-voted).

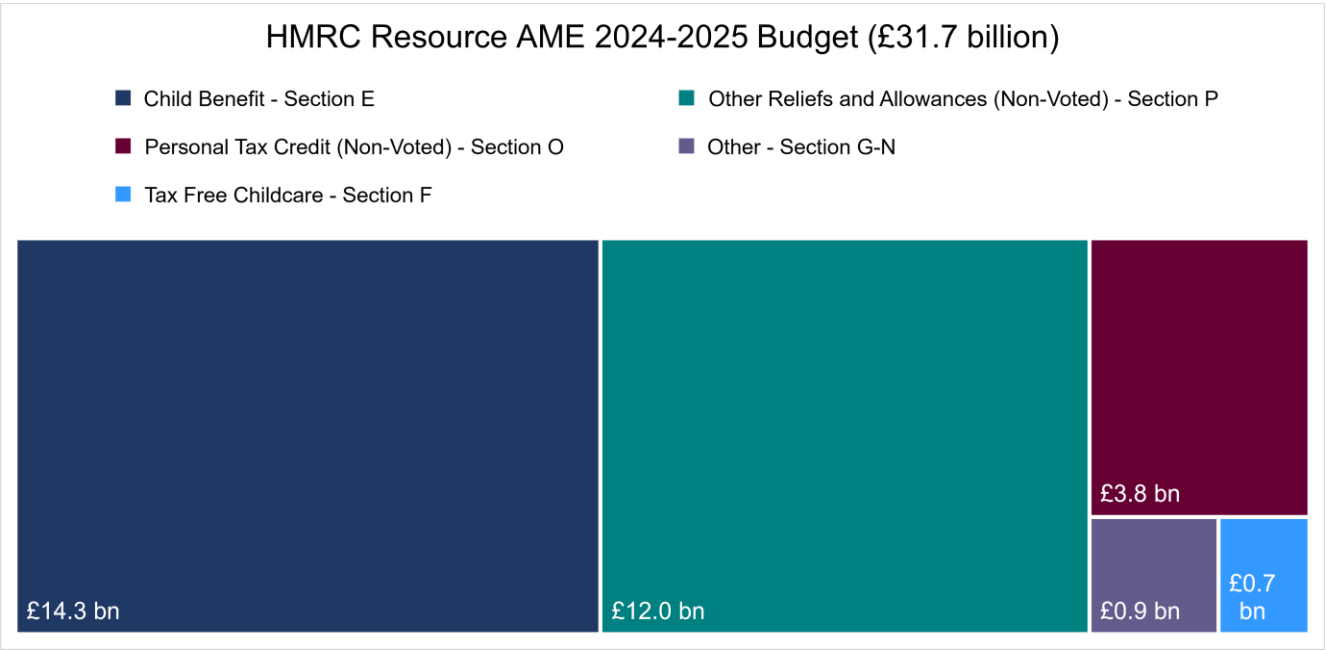
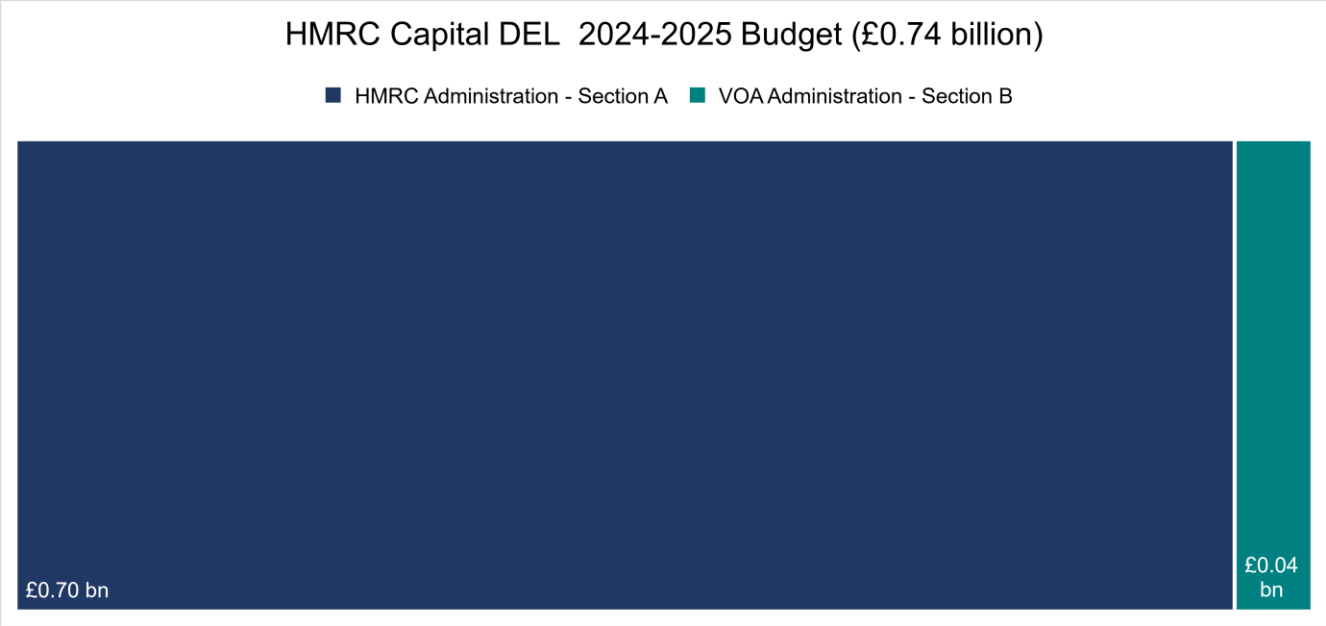
In addition, Parliament votes a net cash requirement, which provides HMRC with the cash required to meet its ongoing payment obligations.

1.3 Main areas of spending



Note: Numbers may not sum due to rounding.

Utilised provisions sum to £0.02 billion



Note: Other includes all other elements of RAME, as set out in the table at Section 2.1.

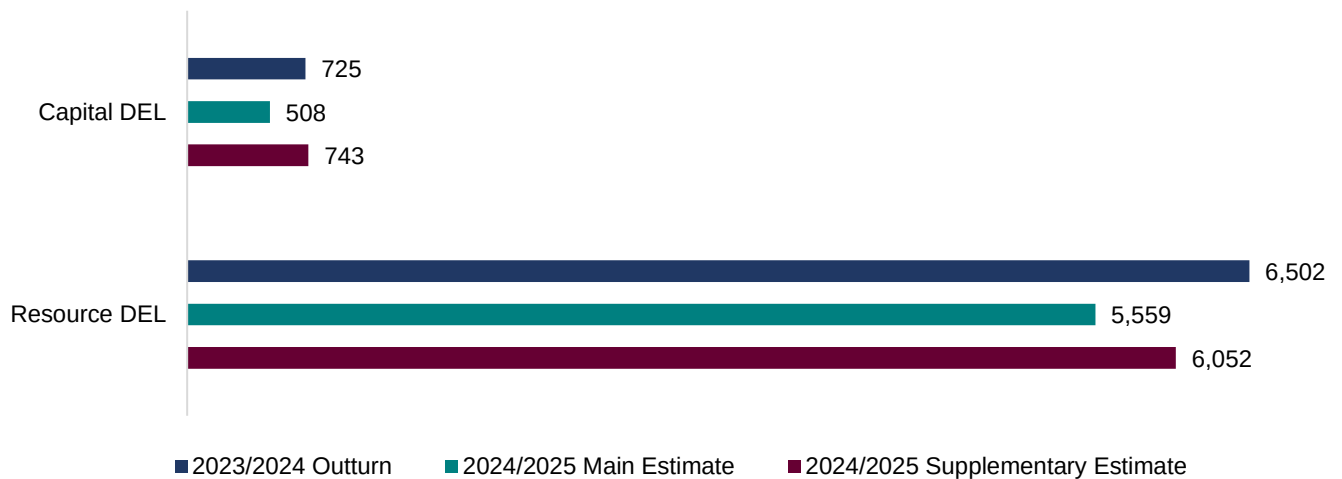
1.4 Comparison of spending totals sought

Below is a summary of the key funding changes between the 2023-2024 outturn, the Main Estimate 2024-2025 and the Supplementary Estimate 2024-2025. The key drivers of funding changes are detailed in section 1.5.

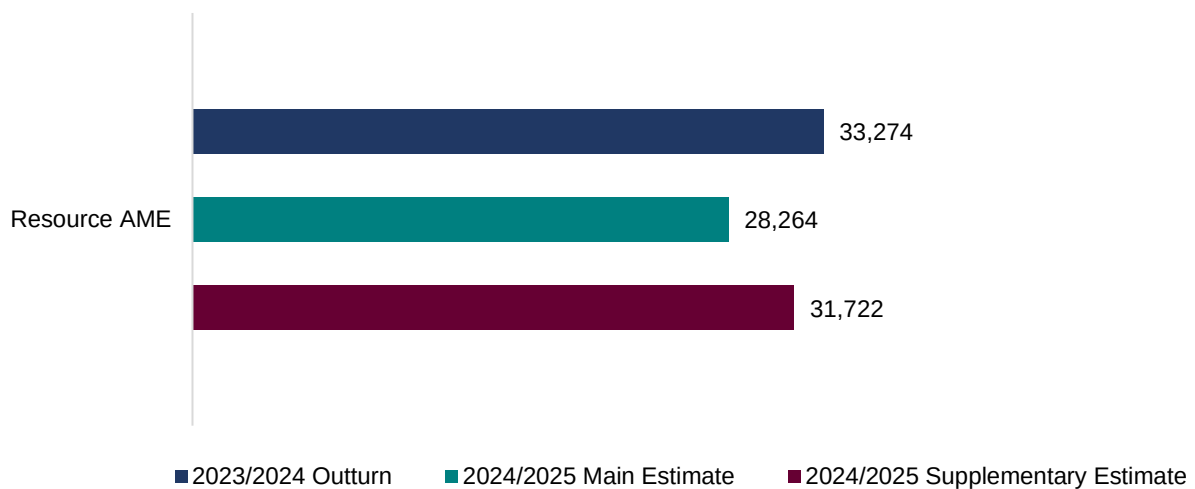
	2023-2024 outturn	2024-2025 Main Estimate	2024-2025 Supplementary Estimate	Difference (+/-) , compared to original budget this year (Main	Difference (+/-), compared to final outturn last year (Outturn 2023-2024)
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				Estimate 2024-2025)			
	£ million	£ million	£ million	£ million	%	£ million	%
Resource DEL	6,502	5,559	6,052	493	9%	-450	-7%
Capital DEL	725	508	743	235	46%	18	2%
Resource AME	33,274	28,264	31,722	3,458	12%	-1,552	-5%
Capital AME	0	0	0	0	0%	0	0%

HMRC DEL 2024-2025 Budgets comparison to Prior Year (2023-2024)
Supplementary and Main Estimates (£ million)



HMRC AME 2024-2025 Budgets comparison to Prior Year (2023-2024)
Supplementary and Main Estimates (£ million)



1.5 Key drivers of spending changes since 2024-2025 Main Estimate

The 2024-2025 Main Estimate noted that certain ongoing activities, which were not included in the Spending Review 2021 (SR21) settlement figures, were not funded at the time of the Main Estimate but were expected to be funded at the Supplementary Estimate. The spending changes highlighted in the table below are consistent with the July 2024 Spending Audit and the Autumn Budget 2024.

Item (£ million)	RDEL Admin	RDEL Prog	Total RDEL	CDEL	TDEL
Unity Programme	32.2	0.0	32.2	4.8	37.0
Rent review and new leases impact	0.0	0.0	0.0	7.0	7.0
UK Transition Activity	0.0	101.6	101.6	76.5	178.1
Fiscal Events	0.0	86.3	86.3	68.7	155.0
VOA Business Systems Transformation	0.0	0.0	0.0	30.0	30.0
Pension Contributions - SCAPE rate change	6.8	32.2	39.0	0.0	39.0
National Living Wage increase	0.0	16.0	16.0	0.0	16.0
Unfunded inflationary pressures	17.0	165.3	182.3	3.7	186.0
Illicit tobacco	0.0	20.0	20.0	0.0	20.0
Customer Service Performance and Resourcing	0.0	51.0	51.0	0.0	51.0
Investment to close the Tax Gap	0.0	12.0	12.0	0.0	12.0
Currency Switch	0.0	-55.0	-55.0	55.0	0.0
Total	56.0	429.4	485.4	245.7	731.1

Resource DEL

The Resource DEL funding for the 2024-2025 Supplementary Estimate has increased from the 2024-2025 Main Estimate by £493.2 million. Below highlights the largest increases:

- £182.3 million additional funding for unfunded inflationary pressures faced in 2024-2025.
- £101.6 additional million funding to meet commitments under the Windsor Framework and for the associated Trader Support Service, as the original settlement did not include Windsor Framework implementation costs.
- £86.3 million for Fiscal Events for the Measures announced in Spring Budget 24 (6th March 2024) and Autumn Budget 24 (30th October 2024).
- £51.0 million additional funding to help with Customer Service Performance and Resourcing, to help us deal with the pressures on our phonelines and provide our service standards.
- £32.2 million funding for the Unity Programme, where shared service funding was held centrally by HM Treasury to be allocated at the Supplementary Estimate.

Capital DEL

Capital DEL funding for the 2024-2025 Supplementary Estimate has increased from 2024-2025 Main Estimates by £235 million. Below highlights the largest increases:

- £76.5 million funding to meet commitments under the Windsor Framework and for the associated Trader Support Service, as the original settlement for Windsor Framework did not include the implementation costs.
- £68.7 million for Fiscal Events for the Measures announced in Spring Budget 24 (6th March 2024) and Autumn Budget 24 (30th October 2024).
- £30.0 million additional funding for VOA Business Systems Transformation.

Resource AME

Resource AME funding for the 2024-2025 Supplementary Estimate has increased from 2024-2025 Main Estimates by £3,458 million. Below highlights the key drivers behind this increase:

- Increase in Personal Tax Credit forecast for 2024-2025 to reflect latest forecasts (see section 2.2.11).
- Increase in Other Reliefs and Allowances to reflect latest forecasts (see section 2.2.12).

Capital AME

There has been no change in Capital AME funding for the 2024-2025 Supplementary Estimate.

1.6 New policies and programmes: ambit changes

Policy Announcements

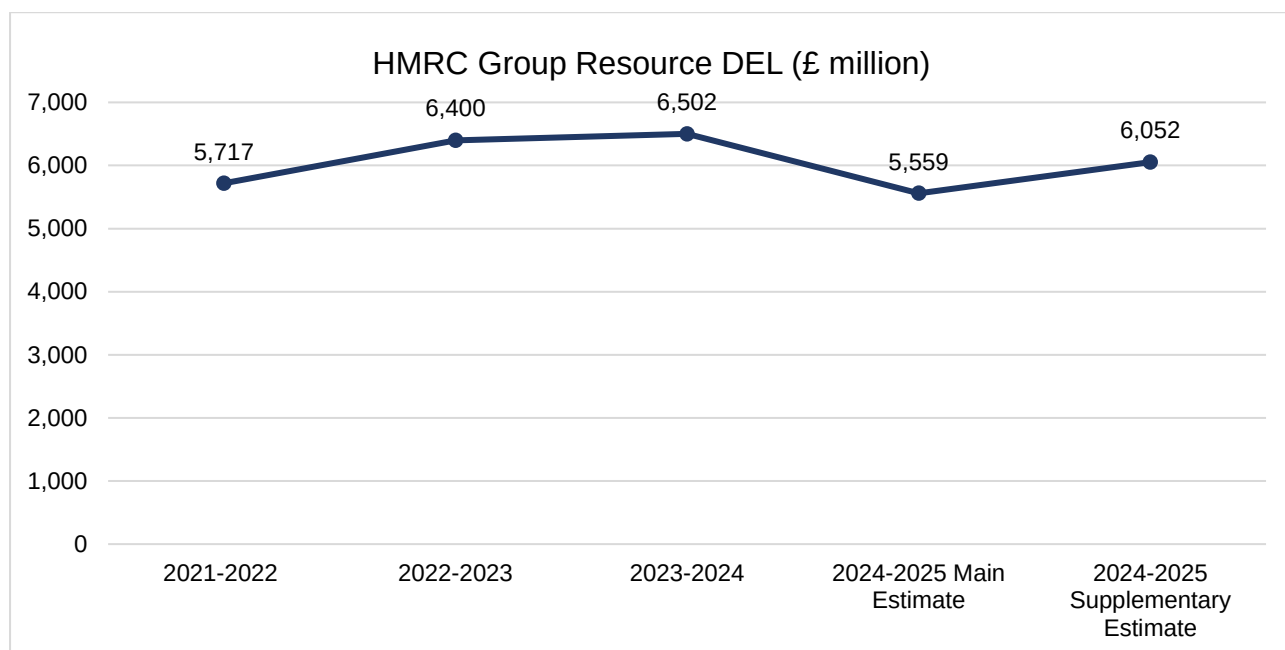
A number of policy measures have been announced over two main fiscal events during the past year, which we will continue to implement in 2024-2025 in line with the passage of the relevant Finance Bills through the House – namely, in the Spring Budget 2024 on 6th March 2024, and the Autumn Budget on 30th October 2024. A small number of measures have also been announced separately from these fiscal events, which were accompanied by appropriate Written Ministerial Statements.

Ambit Changes

Since the 2024-2025 Main Estimate there have been no changes.

1.7 Spending Trends

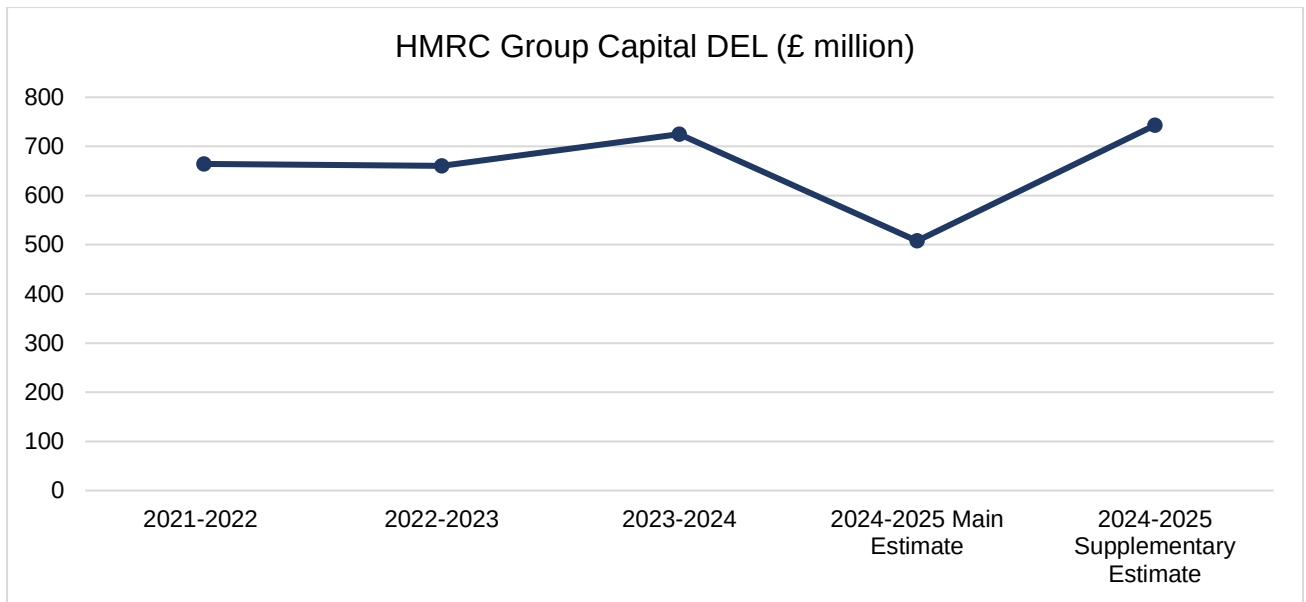
The charts below show overall spending trends since 2021-2022 and our budgets this financial year (2024-2025).



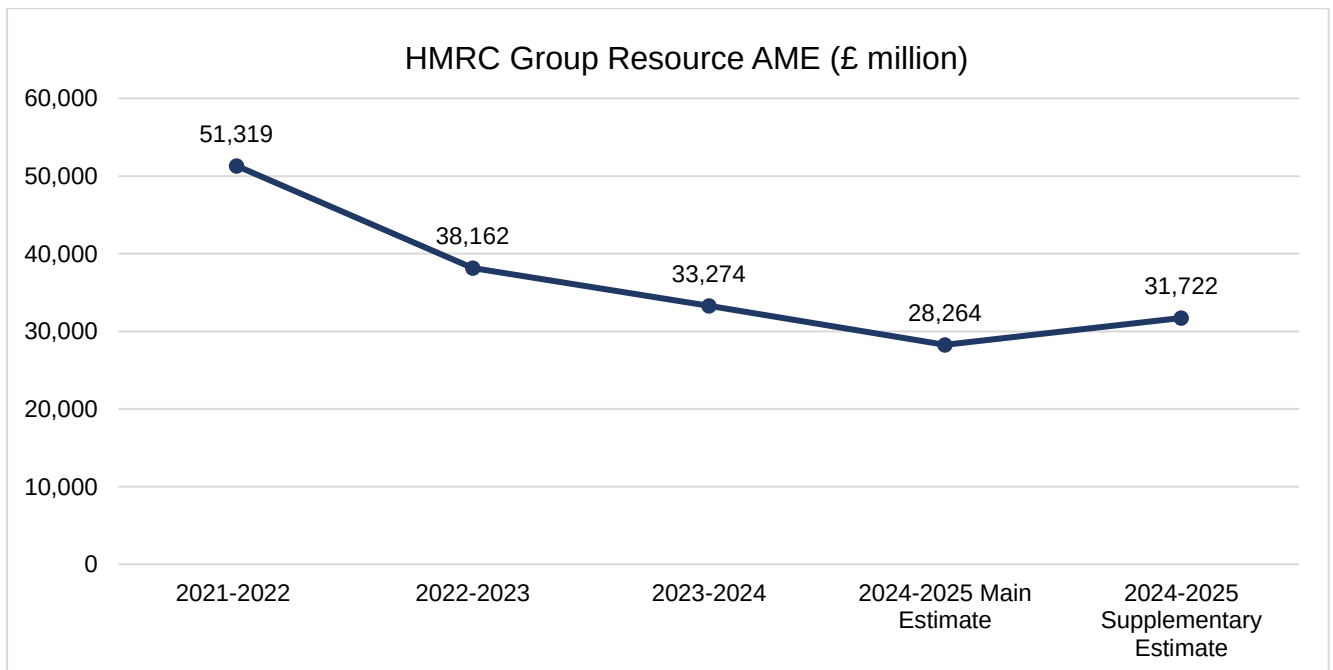
Resource DEL has increased by 9% from the 2024-2025 Main Estimate. The Main Estimate for HMRC was broadly based on the budget which was set at SR21 and did not include funding for activities which were not planned at that time, changes in cost estimates or higher than expected inflationary pressures. These costs were noted during the Main Estimate, July 2024 Spending Audit and the Autumn Budget 2024.

The year-on-year increase from 2021-2022 to 2022-2023 was primarily driven by funding received for delivering COVID-19 related activity and Borders and Trade functions.

There was also additional funding received from 2022-2023 to 2023-2024 for Cost of Living payments which was no longer required in 2024-2025.



Capital DEL has increased by 46% since the 2024-2025 Main Estimate, mainly due to Windsor Framework implementation and the Trader Support Service not being funded until the 2024-2025 Supplementary Estimate. These costs were noted during the Main Estimate, July 2024 Spending Audit and the Autumn Budget 2024.



Resource AME has increased by 12% since the 2024-25 Main Estimate. This is due to increased funding required for Personal Tax Credit, and Other Reliefs and Allowances. Full details are set out in 2.2.1 to 2.2.12. Since 2021-2022, there has been a downward trend in Resource AME, due to the decreased funding for COVID-19 grants following the closure of the support schemes.

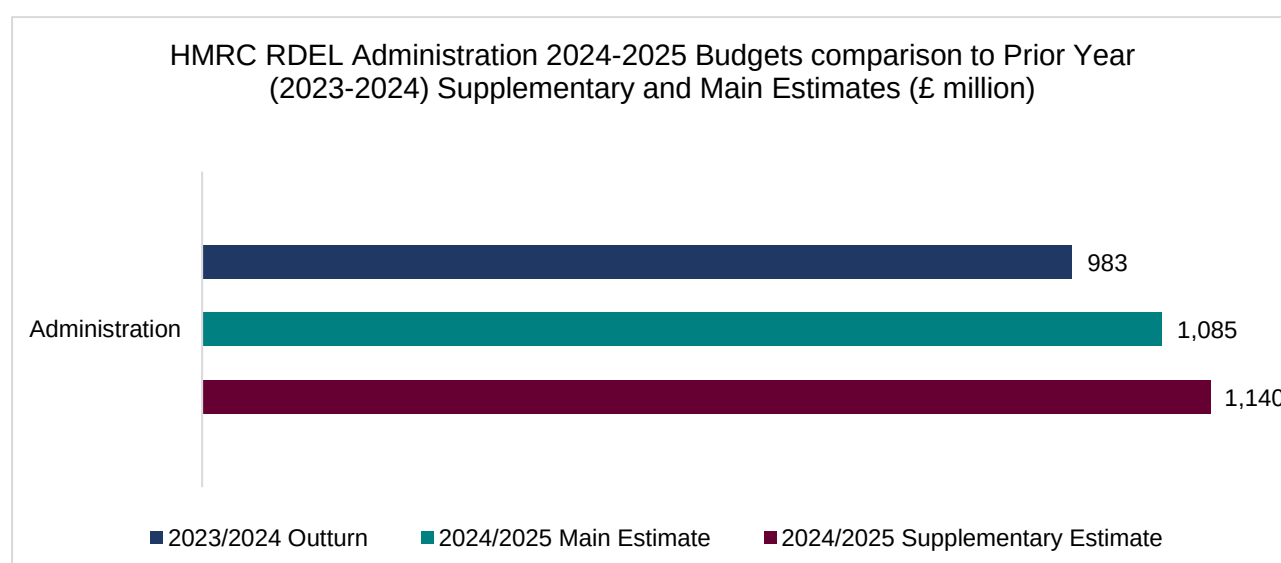
1.8 Administration costs and efficiency plans

Administration costs

HMRC's RDEL Administration budget has increased by 5% since the 2024-2025 Main Estimate. This is due to Unity Programme funding, where shared service funding was held centrally by HM Treasury to be allocated at the Supplementary Estimate, and unfunded inflationary pressures.

	2023-2024 outturn	2024-2025 Main Estimate	2024-2025 Supplementary Estimate	Difference (+/-) , compared to original budget this year (Main Estimate 2024- 2025)		Difference (+/-) , compared to final outturn last year (Outturn 2023- 2024)	
	£ million	£ million	£ million	£ million	%	£ million	%
Administration	983	1,085	1,140	56	5%	158	16%

Note: numbers may not sum due to rounding



HMRC Efficiencies

Under SR21, HMRC's efficiency target (as agreed with HMT) by the end of 2024-2025 was £500 million. This included:

- Investment-led efficiencies from programmes including Securing our Technical Future, Technology Sourcing Programme and the Locations Programme
- Continuous improvement efficiencies
- Savings from our 2021 Pay and Contract Reform package

Overall, by 2024-2025 HMRC needs to deliver an even higher level of efficiency and savings than the target level (£719 million), to deliver performance standards and expectations within budgets, due to increased inflationary pressures since SR21. We are on track to exceed our original target of £500 million; however, we are currently forecasting a small shortfall against the £719 million revised target by the end of 2024-2025. We have mitigated any potential impact of this shortfall on our performance standards and expectations via a combination of lower-than-expected demand levels and adjusting resources to service this demand.

1.9 Funding: Spending Review and Budgets

SR21 set the overall Departmental budget for resource and capital expenditure in 2024-2025. Since then, HM Treasury has made changes to the budgets. The details of these changes are set out below.

Item (£ million)	RDEL Admin	RDEL Prog	Total RDEL	CDEL	TDEL
2024-2025 Budgets (as per Settlement Letter*)					
SR21 (as per Settlement Letter)	1,082.7	3,987.4	5,070.1	468.8	5,538.9
2024-2025 Main Estimate Total	1,084.6	4,474.3	5,558.9	507.5	6,066.4
o/w Depreciation Ringfence	146.5	700.0	846.5	0.0	846.5
2024-2025 Supplementary Estimate Changes					
Unity Programme	32.2	0.0	32.2	4.8	37.0
Rent review and new leases impact	0.0	0.0	0.0	7.0	7.0
UK Transition Activity	0.0	101.6	101.6	76.5	178.1
Fiscal Events	0.0	86.3	86.3	68.7	155.0
VOA Business Systems Transformation	0.0	0.0	0.0	30.0	30.0
Pension Contributions - SCAPE rate change	6.8	32.2	39.0	0.0	39.0
National Living Wage increase	0.0	16.0	16.0	0.0	16.0
Unfunded inflationary pressures	17.0	165.3	182.3	3.7	186.0
Illicit tobacco	0.0	20.0	20.0	0.0	20.0
Customer Service Performance and Resourcing	0.0	51.0	51.0	0.0	51.0
Investment to close the Tax Gap	0.0	12.0	12.0	0.0	12.0
Currency Switch	0.0	-55.0	-55.0	55.0	0.0
Adjustments Sub-Total	56.0	429.4	485.4	245.7	731.1
OGD Budget Transfers	-0.2	7.9	7.8	-10.5	-2.7
Summary					
2024-2025 Supplementary Estimate	993.9	4,211.8	5,205.8	742.7	5,948.5
Depreciation (non-cash)	146.5	699.8	846.3	0.0	846.3
2024-2025 Supplementary Estimate Total	1,140.5	4,911.6	6,052.1	742.7	6,794.8

Note: numbers may not sum due to rounding

Net Budget Cover Transfers with Other Government Departments

HMRC has the following Budget Cover Transfers with other government departments (see Annex B for detail).

Government Department	£000
Cabinet Office	-158
Department for Work and Pensions	2,798
Driver and Vehicle Agency, an Executive Agency of the Department for Infrastructure (NI).	-2
Foreign, Commonwealth and Development Office	4,792
Home Office	-9,676
Ministry of Justice	-58
Northern Ireland Executive	-75
Scotland Office and Office of the Advocate General	-200
Scottish Government	-13
Welsh Assembly Government	-130
Net Transfers	-2,722

2. Spending detail

2.1 Explanation of changes in Departmental Expenditure Limit (DEL)

The table below shows HMRC's spending budget for Resource DEL and Capital DEL compared to 2024-2025 Main Estimate.

Estimate Line	Description	Resource				Capital				Note
		Supplement ary Estimate Budget Sought 2024-2025	Main Estimate 2024-2025	Difference (+/-) compared to Main Estimate 2024-2025		Supplementary Estimate Budget Sought 2024-2025	Main Estimate 2024-2025	Difference (+/-) compared to Main Estimate 2024-2025		
		£ million		%		£ million		%		
A	HMRC Administration	5,582.5	5,093.8	488.7	10%	708.7	466.9	241.8	52%	2.1.1
B	VOA Administration	208.8	212.2	-3.3	-2%	44.5	40.6	3.9	10%	2.1.2
C	Utilised Provisions	20.0	20.0	0.0	0%	0.0	0.0	0.0	0%	2.1.3
	Sub-total (Voted)	5,811.3	5,325.9	485.4	9%	753.2	507.5	245.7	48%	
D	National Insurance Fund	233.0	233.0	0.0	0%	0.0	0.0	0.0		2.1.4
	Sub-total (Non-Voted)	233.0	233.0	0.0	0%	0.0	0.0	0.0		
	Total (Voted and Non-Voted)	6,044.3	5,558.9	485.4	9%	753.2	507.5	245.7	48%	

2.1.1.HMRC Administration (Section A)

For 2024-2025, only base funding and limited additional funding was provided at the Main Estimate. The additional funding required relates to new activity, activity which was not sufficiently scoped at SR21 and unforeseen cost pressures. The spending changes are consistent with the July 2024 Spending Audit and the Autumn Budget 2024.

The largest increase in budget at the 2024-2025 Supplementary Estimate is an additional £186 million to cover unfunded inflationary pressures, and £178.1m for UK Transition activity.

Funding received at the Supplementary Estimate also includes:

- an additional £155 million funding for fiscal events (£86.3 million RDEL and £68.7 million CDEL)
- £51 million Customer Service Performance and Resourcing
- £39 million Pensions Contributions – SCAPE rate change funding
- £37 million Unity programme funding
- £30 million VOA Business Systems Transformation funding
- £20 million funding for the illicit tobacco initiative
- £16 million national living wage increase
- £12 million investment to close the tax gap
- £7 million rent review and new leases impact

2.1.2.VOA Administration (Section B)

There was a change to VOA lines which involved changing £3 million RDEL to CDEL as a currency switch. This did not have an impact on the overall group totals.

2.1.3.Utilised Provisions (Section C)

This section covers the provision requirements for HMRC. When provisions are utilised, the cost is moved from AME to DEL as an equal and opposite transaction. Provisions are inherently unpredictable in terms of the timing and value of settlements. HMRC have an established process in place to regularly review and monitor provisions. There are no changes since the 2024-2025 Main Estimate.

2.1.4.National Insurance Fund (Section D)

There is no movement from the 2024-2025 Main Estimate.

2.2 Spending Detail: AME

Estimate Line	Description	Resource				Note
		Supplementary Estimate Budget Sought 2024-2025	Main Estimate 2024-2025	Difference (+/-) compared to Main Estimate 2024-2025		
				£ million		
E	Child Benefit	14,342	13,992	350	3%	2.2.1
F	Tax Free Childcare	660	558	101	18%	2.2.2
G	Providing payments in lieu of tax relief to certain bodies	193	161	32	20%	2.2.3
H	Lifetime ISA	598	523	75	14%	2.2.4
I	Help to Save	65	64	1	1%	2.2.5
J	HMRC Administration	9	20	-11	-53%	2.2.6
K	VOA - Payments of rates to LAs on behalf of certain bodies (POLAR)	91	96	-5	-5%	2.2.7
L	VOA - Administration	2	2	-1	-25%	2.2.8
M	Utilised Provisions	-20	-20	0	0%	2.2.9
N	COVID-19	0	0	0	0%	2.2.10
	Sub-total (Voted)	15,939	15,396	543	4%	
O	Personal Tax Credit	3,794	1,875	1,919	102%	2.2.11
P	Other Reliefs and Allowances	11,989	10,993	996	9%	2.2.12
	Sub-total (Non-Voted)	15,783	12,868	2,915	23%	
	Total (Voted and Non-Voted)	31,722	28,264	3,458	12%	

Note: numbers may not sum due to rounding

There is also a Capital Annually Managed Expenditure (CAME) budget of £11,000 for the utilisation of the Child Trust Fund provision (Estimate line J), and £250,000 for VOA dilapidations.

2.2.1 Child Benefit (Section E)

Upwards adjustment since 2024-2025 Main Estimates due to changes to the High Income Benefit Charge, the threshold for which has increased from £50,000 to £60,000, as announced at Spring Budget 2024. It is expected that this will result in a higher number of claimants within 2024-2025.

2.2.2 Tax-Free Childcare (TFC) (Section F)

Increase in the forecast since Main Estimates 2024-2025, as the latest forecast assumes that TFC account take-up amongst the eligible population will increase as a result of improved awareness of TFC through increased coverage and advertisement of TFC.

2.2.3 Providing payments in lieu of tax relief to certain bodies (Section G)

A slight increase based on latest forecast and outturn data. The £193.4 million figure is broken down as follows:

- £157.6 million for Stakeholder Pensions – based on using a weighted average of wage growth and self-employed income growth. Updated from Spring Budget 2024 announcements.
- £35.9 million for Gift Aid Small Donations Scheme.

2.2.4 Lifetime ISA (Section H)

Upwards adjustment as subscriptions have increased compared to previous years. Longer term trends in the data have now been incorporated, and the inputs have been updated with the latest data.

2.2.5 Help To Save (HTS) (Section I)

Help to Save account holders can save up to £50 a month into their account; accounts mature at the end of the second and fourth year when bonuses are paid. There has been an upwards adjustment due to updated volumetrics and historic data to generate a revised and more accurate forecast, based on a model consistent with previous years.

2.2.6 HMRC Administration (New Provisions) (Section J)

Provisions are inherently unpredictable in terms of the timing and value of settlements. HMRC have an established process in place to regularly review and monitor provisions. Since the 2024-2025 Main Estimate there has been an £11 million reduction due to the removal of dilapidations in this line.

2.2.7 VOA - Payments of rates to Local Authorities on behalf of certain bodies (POLAR) (Section K)

Slight reduction since 2024-2025 Main Estimate adjustment to reflect forecast following revised assessments.

2.2.8 VOA – Administration (Section L)

Reduced to reflect previous years outturn.

2.2.9 Utilised Provisions (Section M)

Provisions are inherently unpredictable in terms of the timing and value of settlements. HMRC have an established process in place to regularly review and monitor provisions. No change since 2024-2025 Main Estimates.

2.2.10 COVID-19 (Section N)

The claims window for the COVID-19 schemes closed on 30 September 2021; however, there are some payments outstanding on AME COVID-19 schemes. HMRC are continuing to hold a small budget as there is still the possibility of payment of these exceptional claims.

2.2.11 Personal Tax Credit (Section O)

Since the 2024-2025 Main Estimate, the forecast for Personal Tax Credits has increased. This is due to 2024-2025 being the final year of tax credits, which are due to close at the end of March 2025. Claimants are now migrating to Universal Credit. The forecast is highly uncertain in this final year depending on how the pace of Universal Credits migration progresses.

2.2.12 Other Reliefs and Allowances (Section P)

This section covers a range of reliefs paid from public spending, including Large Companies Research and Development Relief, Small Companies Research and Development Relief and Film Tax Relief, as well as the Guardians Allowance.

There is an increase from Main Estimates 2024-2025. This is due to a review of outturn data from previous years. Tax relief policies and latest economic determinants have a bearing on these values, based on information available at the time.

2.3 Ringfenced budgets

HMRC have a number of ringfenced budgets that are set by HM Treasury. Any funding provided by HM Treasury can only be spent on a specific area of spend.

At Supplementary Estimate, the Chief Secretary to the Treasury has approved lifting the following ringfences, to provide greater flexibility for HMRC to deliver government priorities:

- Debt and Payments
- Pensions Programme
- Digitising Business Rates
- Pilots
- Fiscal Events Policy Pot
- UK Transition
- Modern Tax System
- Revenue Raising
- Freeports
- Spend to Raise
- Post scheme Covid-19 costs
- Counter Fraud Packages for Covid-19

Ringfence control will stay in place for the remaining ringfences:

HM Treasury Ringfences (£ million)	Supplementary Estimate 2024-2025			2024-2025 Main Estimates Budget		Difference (+/-) compared to Main Estimate 2024-2025			
	RDEL	CDEL	TDEL	RDEL	CDEL	RDEL		CDEL	
	£ million					£ million	%	£ million	%
Tax-Free Childcare	38.6	0.0	38.6	37.7	0.0	0.9	2%	0.0	0%
Help to Save	15.4	0.0	15.4	15.4	0.0	0.0	0%	0.0	0%
Official Development Assistance	7.9	0.0	7.9	7.9	0.0	0.0	0%	0.0	0%
Research & Development	0.0	2.0	2.0	0.0	2.0	0.0	0%	0.0	0%
Unity	32.4	4.8	37.2	0.0	0.0	32.4	100%	4.8	100%
Sub-total	94.3	6.8	101.1	61.0	2.0	33.3		4.8	
Depreciation (non-cash)	846.3	0	846.3	846.5	0	0.2	0%	0.0	0%
Total	940.6	6.8	947.4	907.5	2.0	33.5		4.8	

Note: Numbers may not appear to sum due to rounding

2.4 Changes to contingent liabilities

The following contingent liabilities are contained within Part III: Note K of the Main Estimate.

Nature of Liability	£000
HMRC	
Legal Claims - exists for costs that may be awarded should various legal cases in which HMRC is involved be determined against the department. The contingent liability covers all such cases where the outcome is unknown or cannot be estimated reliably.	140,700
Guaranteed costs - possible liability where appointed liquidators have been guaranteed payment of their costs with a view to recovery of outstanding tax liabilities.	600
Other – the department has a number of further contingent liabilities	62,500
VOA	
Legal claims - Costs that may be awarded should various legal cases in which VOA is involved be determined against it.	720
Dilapidations - Costs that may be incurred for dilapidation liabilities for private landlord leases	700

These contingent liabilities have been held by the department for several years and reported within the Departmental Resource Accounts annually. They have been incurred in the ordinary course of administering the tax and customs system. HMRC has an established process in place to regularly review and monitor contingent liabilities.

3. Priorities and Performance

3.1 How spending relates to objectives

Planning and performance is structured around the government's 3 priorities for HMRC:

- Close the Tax Gap
- Improve day to day performance and the overall customer experience
- Reform and modernisation of Tax and Customs administration

Underpinning this we aim to make HMRC a great place to work; and to support wider government economic aims such as the government's mission for economic growth, through a resilient, agile tax administration system.

The funding HMRC received in SR21 provides core services which enable the collection of tax revenue and the delivery of customer services. HMRC also use a significant proportion of this investment to fund transformation projects to modernise the way tax and customs is administered.

HMRC's departmental finance systems are not structured to report costs and resources by strategic objective.

3.2 Measures of performance against each strategic objective

HMRC publish [quarterly updates](#) on performance against key performance indicators, and also cover these, and their commitments, within the performance section of the Annual Report & Accounts. In addition to this, HMRC publish [monthly data](#) on the use of digital services and telephony, post handling and complaints handling performance.

3.3 HMRC Performance

In 2023-2024, HMRC collected £829.1 billion in tax receipts for the Exchequer – an increase of 5.1% on the previous year – and achieved a long-term reduction in the UK's tax gap from 7.4% in 2005-2006 to 4.8% in 2022-2023 (the latest estimates available).

HMRC's customer service strategy is digital-first, encouraging customers who can to self-serve using GOV.UK or the HMRC App. HMRC have focused on enhancing and expanding digital services via GOV.UK and the HMRC App. Satisfaction with HMRC digital services remains high, reaching 83.6% to the end of October 2024-2025. Whilst expanding the provision of digital services, HMRC will continue to listen to feedback from all stakeholders and recognise more needs to be done to ensure all taxpayers' needs are met in encouraging greater use of their digital services.

In 2023-2024, improvement was made in the proportion of customer correspondence turned around within 15 working days, increasing to 76.3% from 72.7% in 2022-2023. Up to the end of October 2024, this has remained stable at 77.0%, close to HMRC's 80% service standard.

The proportion of callers wanting to speak to an adviser who were able to do so has seen a steady improvement throughout 2024-2025, with 53.5% of adviser attempts handled in April 2024 improving to 85.4% in October 2024, meeting HMRC's service standard of 85%. In 2023-2024, this was 66.4%, rising in 2024-2025 to 67.3% cumulative from April to the end of October 2024.

HMRC expects to achieve both these service standards in Q3 and Q4 of 2024-2025, and the funding secured, through the first phase of the Spending Review, to continue HMRC's transformation into a digital-first organisation means that it's forecast that performance will be maintained into 2025-2026.

The issues affecting HMRC's ability to meet service standards on telephony and correspondence include the impact of higher inflation on costs, growth in the number of customers in the tax system and an increase in the number of customers with complex tax affairs who need more support. Better guidance and improved options for self-serving online are all important in reducing telephony demand and enabling customer service advisers to focus on helping customers who still need to resolve issues by phone or post. To improve performance, HMRC is expanding its online services and deploying approximately 1,700 additional full-time customer service advisers in 2024-2025, beyond initially planned recruitment of approximately 1,100 full-time customer service advisers.

The debt balance at the end of 2023-2024 was £44.6 billion, a slight reduction from £45.9 billion at the end of 2022-2023. The debt balance up to the end of October 2024-2025 was £44.8 billion and we expect it will remain at close to current levels at the end of March 2025. At Autumn Budget 2024, the government has provided a record amount of investment in our debt management capabilities and capacity. This will help us resolve over £8 billion more debt by the end of 2029-2030.

HMRC promote good compliance by educating and supporting customers in their tax affairs; prevent non-compliance by making it easier for customers to get things right by improving policies, services and systems; and respond robustly to those who are carelessly or deliberately non-compliant, or who attack the tax system. Every year, HMRC collect and protect billions of pounds of tax revenue that would otherwise have been lost to the Exchequer through error, fraud or other forms of non-compliance. In 2023-2024, HMRC delivered £41.8 billion of compliance yield, an increase on the year before, with an increased level of compliance yield also expected in 2024-2025. At Autumn Budget 2024, the government announced a package of measures to close the tax gap, raising £6.5 billion of additional tax revenue in 2029-2030. This includes recruiting an additional 5,000 frontline compliance staff, funding 1,800 debt management staff and modernising HMRC systems and data. The package of measures will help HMRC to support the government in its aim of achieving economic growth.

4. Major projects

HMRC currently has 9 live projects within the Government Major Projects Portfolio (GMPP), this is a reduction from 13 in 2023-2024:

- Building our Future Locations Programme
- Enterprise Tax Management Platform Regeneration Programme
- Northern Ireland Delivery Programme
- Making Tax Digital Programme
- Single Customs Platform Programme
- Single Trade Window Programme
- Technical Health Programme (formerly Enterprise Security Programme)
- Trader Support Service Programme
- Unity Programme

Programmes which are no longer classified as GMPP:

- Pensions Programme
- Protect Connect Programme
- Single Customer Account Programme
- Unique Customer Record Programme

Details on these 9 programmes will be published in the 2024 GMPP Transparency Publication. This is expected to be published by Cabinet Office by March 2025.

5. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.

A handwritten signature in black ink, appearing to read 'J Harra', with a stylized, cursive script.

Jim Harra

Accounting Officer

First Permanent Secretary

HM Revenue and Customs

20th January 2025

Annex: Table A

See tables at Section 2.1 for a breakdown of DEL and AME funding changes.

Annex: Table B HMRC 2024-2025 Supplementary Estimate DEL (£ million)

HMRC 2024-2025 Supplementary Estimate DEL (£ million)	RDEL Admin	RDEL Prog	Total RDEL	CDEL	TDEL
SR21 (as per Settlement Letter)	1082.7	3987.4	5070.1	468.8	5538.9
Additional, new, money awarded since SR21					
2024-2025 Main Estimate					
Single Trader Window	0.0	59.5	59.5	30.0	89.5
Labour Markets Evaluation	0.0	0.7	0.7	0.0	0.7
Spend to Raise AS23 Funding	0.0	15.7	15.7	0.0	15.7
AS23 - Credit reference agency data	0.0	0.0	0.0	0.7	0.7
SB24 - Carbon Border Adjustment	0.0	0.8	0.8	0.0	0.8
SB24 - Vaping Products Duty	0.0	3.4	3.4	5.4	8.8
SB24 - Improving Agent Registration	0.0	3.7	3.7	0.0	3.7
SB24 - Crypto-Asset Reporting Framework	0.0	0.8	0.8	0.0	0.8
Rent review and new leases impact	-26.6	-46.8	-73.4	1.8	-71.6
2024-2025 Supplementary Estimate					
Unity Programme	32.2	0.0	32.2	4.8	37.0
Rent review and new leases impact	0.0	0.0	0.0	7.0	7.0
UK Transition Activity	0.0	101.6	101.6	76.5	178.1
Fiscal Events	0.0	86.3	86.3	68.7	155.0
VOA Business Systems Transformation	0.0	0.0	0.0	30.0	30.0
Pension Contributions - SCAPE rate change	6.8	32.2	39.0	0.0	39.0
National Living Wage increase	0.0	16.0	16.0	0.0	16.0
Unfunded inflationary pressures	17.0	165.3	182.3	3.7	186.0
Illicit tobacco	0.0	20.0	20.0	0.0	20.0
Customer Service Performance and Resourcing	0.0	51.0	51.0	0.0	51.0
Investment to close the Tax Gap	0.0	12.0	12.0	0.0	12.0
Currency Switch	0.0	-55.0	-55.0	55.0	0.0
Additional, new, money awarded since SR21 sub-total	29.4	467.1	496.6	283.7	780.3
Estimating, forecasting and reprofiling changes					
2024-2025 Main Estimate					
Health and Social Care Levy Surrender	-10.0	-12.6	-22.6	0.0	-22.6
Depreciation budget adjustment	38.7	424.9	463.7	0.0	463.7
Estimating, forecasting and reprofiling changes sub-total	28.7	412.4	441.1	0.0	441.1
Neutral funding changes between departments					
2024-2025 Main Estimate - OGD Budget Transfers					
Foreign, Commonwealth And Development Office (Incoming): EECAD Conflict, Stability & Security Fund (CSSF) portfolio	0.0	0.1	0.1	0.0	0.1
Foreign, Commonwealth And Development Office (Incoming): Common Platform Baseline transfer	0.0	3.0	3.0	0.0	3.0
Cabinet Office (Outgoing): Civil Service Live Contribution (From 23/24 Heads of Place)	-0.2	0.0	-0.2	0.0	-0.2
Cabinet Office (Outgoing): CDIO contribution to ROSA infrastructure improvements	0.0	0.0	0.0	-0.5	-0.5

Department For Work And Pensions (Incoming): Universal Credit	0.0	33.6	33.6	1.2	34.9
2024-2025 Supplementary Estimate - OGD Budget Transfers					
Cabinet Office (Outgoing): Contribution to Civil Service Live	-0.2	0.0	-0.2	0.0	-0.2
Department for Work and Pensions (Incoming): Joint Management Engagement team (JMET)	0.0	4.2	4.2	0.0	4.2
Department for Work and Pensions (Incoming): Universal Credit	0.0	1.2	1.2	-0.3	0.9
Department for Work and Pensions (Outgoing): Supporting financial hardship - funding for the debt advice sector - independent advice	0.0	-1.2	-1.2	-0.9	-2.1
Department for Work and Pensions (Outgoing): Universal Credit - Depreciation	0.0	-0.2	-0.2	0.0	-0.2
Driver and Vehicle Agency, an Executive Agency of the Department for Infrastructure (NI). (Outgoing): Hidden Economy Conditionality (Scotland and NI)	0.0	0.0	0.0	0.0	0.0
Foreign, Commonwealth and Development Office (Incoming): China Capability programme - South East Asia and Pacific	0.0	0.0	0.0	0.0	0.0
Foreign, Commonwealth and Development Office (Incoming): Cross HMRC funding for the Sanctions Programme - Economic Deterrence Initiative (EDI)	0.0	4.5	4.5	0.0	4.5
Foreign, Commonwealth and Development Office (Incoming): EECAD Conflict, Stability & Security Fund (CSSF) Portfolio funding	0.0	0.0	0.0	0.0	0.0
Foreign, Commonwealth and Development Office (Incoming): Official Development Assistance – Egypt - Accelerate Trade Facilitation Programme	0.0	0.3	0.3	0.0	0.3
Home Office (Incoming): Targeted Interception Operating Model System (TIOMS) to replace our TI Mission Management Software (AFFIRM)	0.0	0.0	0.0	0.7	0.7
Home Office (Outgoing): Illicit Tobacco	0.0	-0.4	-0.4	-10.0	-10.3
Ministry of Justice (Outgoing): JIT 1016 -Promoters of Tax Avoidance Scheme (POTAS)	0.0	0.0	0.0	0.0	0.0
Ministry of Justice (Outgoing): JIT 724	0.0	0.0	0.0	0.0	0.0
Northern Ireland Executive (Outgoing): Supporting financial hardship - funding for the debt advice sector - independent advice	0.0	-0.1	-0.1	0.0	-0.1
Scotland Office and Office of the Advocate General (Outgoing): Supporting financial hardship - funding for the debt advice sector - independent advice	0.0	-0.2	-0.2	0.0	-0.2
Scottish Government (Outgoing): Hidden Economy Conditionality (Scotland and NI)	0.0	0.0	0.0	0.0	0.0
Welsh Assembly Government (Outgoing): Hidden Economy Conditionality (England and Wales)	0.0	0.0	0.0	0.0	0.0
Welsh Assembly Government (Outgoing): Supporting financial hardship - funding for the debt advice sector - independent advice	0.0	-0.1	-0.1	0.0	-0.1
Neutral funding changes between departments sub-total	-0.4	44.7	44.3	-9.8	34.5

Summary					
2024-2025 Supplementary Estimate	993.9	4211.8	5205.8	742.7	5948.5
Depreciation (non-cash)	146.5	699.8	846.3	0.0	846.3
2024-2025 Supplementary Estimate Total	1,140.5	4,911.6	6,052.1	742.7	6,794.8