



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dame Meg Hillier MP
Chair of the Treasury Committee
House of Commons
Palace of Westminster
SW1A 0A8

10 February 2025

Dear Dame Meg,

Thank you for your letter of 20 January 2025. I am writing to provide the additional information the Committee requested following the oral evidence session of 15 January.

1. What legal implications or responsibilities are there (if any) for the individual who Chairs the HMRC Board?

I am chairing the Board as part of my oversight of HMRC's work to deliver my and the Government's priorities.

The HMRC Board provides scrutiny, challenge and support to the department on its strategy, capability, performance and risks, including reviewing and challenging operational performance and delivery of change against the department's business plan. It is not a decision-making body and does not exercise the legal powers or responsibilities of either Ministers or the HMRC Commissioners. It has no role in the affairs of individual taxpayers.

Legal responsibilities for tax administration arise from the statutory framework provided for in the Commissioners for Revenue and Customs Act 2005, which is unchanged. The Commissioners and Ministers remain responsible for decisions they make under that framework.

The HMRC Commissioners will continue to exercise their powers and to work closely with me, as their Minister, to seek my steers and views on HMRC's administrative policies and plans, consistent with the statutory framework provided for in the Commissioners for Revenue and Customs Act 2005.

Accordingly, there are no particular additional legal implications or responsibilities for me in my role as Chair, or for the Commissioners.

2. How did the OBR account for the Energy Profits Levy in terms of its impact on economic growth, and its impact on the OBR's tax multiplier?

In making their assessment of the macroeconomic impact of the whole package at Autumn Budget 2024, the OBR modelled the impact of the aggregate tax change using

their standard tax multiplier. The Energy Profits Levy (EPL) contributed to this aggregate tax change.

The OBR, however, did not judge that the EPL would have a measure-specific, long-term effect on potential GDP, which is consistent with their judgement at the introduction of this measure in 2022.

The OBR's October 2024 [Economic & Fiscal Outlook](#) provides further detail on the impact of the changes to the EPL on the forecast (see pages 67, 100).

3. How many additional people will have to interact with HMRC over this Parliament (because they cannot rely on PAYE alone), how many of them are pensioners, and how many are new to the HMRC processes as a result of Child Benefit?

As set out in the OBR's Autumn 2024 publication and HMRC's June 2024 Income Tax liabilities statistics, the total number of Income Tax payers is expected to have increased by 4.6 million in 2024-25 compared to 2021-22, and is forecast to increase by a further 2.9 million by 2028-29. These figures give an indication as to the overall increase in customers being brought into tax, which includes PAYE and Self Assessment customers.

Pensioners are affected by a combination of the freezing of the Personal Allowance and increases in the State Pension under the triple lock. Where a State pensioner has another source of income taxed under PAYE, such as a private pension, HMRC aims to collect all their tax under PAYE, adjusting the tax code applying to their private pension to take account of the State Pension. Otherwise, where a pensioner's total taxable income, including their State Pension, exceeds the Personal Allowance, they have to pay their tax either through Simple Assessment – where HMRC holds all the information needed to calculate the tax liability and simply sends the pensioner a bill – or through filing a Self Assessment tax return.

The Autumn 2024 Budget forecast of the number of taxpayers paying the High Income Child Benefit Charge (HICBC) is shown in the table below. The number of HICBC payers is projected to drop by almost 140,000 this year (2024-25) as a result of the increase in the HICBC threshold to £60,000. After this point, the figures are expected to grow once again as rising incomes move taxpayers beyond the £60,000 threshold. Note that Child Benefit claimants can opt out of receiving Child Benefit payments as an alternative to paying HICBC.

Autumn 2024 Budget forecast of HICBC tax charge payers							
Year of tax liability	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Tax charge payers (thousands)	464	325	343	355	365	376	389

Not all those paying HICBC will need to file a Self-Assessment tax return. From this year, employees who become newly liable to HICBC will be able to pay their liability through their PAYE tax code, using a new digital service. This will remove the need for them to register for Self Assessment and file a tax return in order to pay HICBC. The digital service will be extended to existing HICBC payers at a later date. Based on 2022-23 Self-Assessment returns, around 23% of HICBC payers declared only PAYE income sources and could benefit from the new service.

4. How many staff work in the customer services group within HMRC?

The Customer Services Group (CSG) workforce in December 2024 was 19,698 full time equivalent (FTE) staff. This consisted of 1,647 FTE agency workers and 18,051 permanent civil servants. Of these, 888 were in the Surge and Rapid Response Team. This is a cross-Civil Service resource which can be deployed to support other government departments and arm's length bodies with their peaks in demand and at times of crisis. They are based in and managed by HMRC but are not always deployed on CSG work.

- **How many staff were going to be reduced from the customer services group when it was planned to close the phone lines?**

The CSG planning assumption was that the closures announced on 19 March 2024 would have reduced their resourcing requirement by 600 FTE.

- **How many additional staff are going to be added to the customer services groups as a result of the additional funding announced in the 2024 Autumn Budget?**

At Autumn Budget 2024 the Chancellor announced funding for 1,800 FTE additional Debt Management staff. This allowed CSG to retain 1,200 FTE who were already in the Group, but whose funding was coming to an end, and recruit a further 600 FTE in 2026-27.

The Chancellor also announced 180 FTE additional staff (reducing to 40 FTE in 2028-29) for CSG to reduce error and fraud in Child Benefit and Tax Free Childcare, and around 75 FTE additional staff in CSG to support other Budget measures, such as additional resources to handle demand caused by the Inheritance Tax on Pensions and Timely Payments Budget measures.

- 5. A breakdown of the subjects of phone calls to HMRC by volume and proportion? What proportion of calls to HMRC are for simple inquiries?**

A full breakdown of phone contact across 2023-24 is set out in the annex below, showing that 9.9m (66%) of demand for HMRC's customer service helplines (excluding Debt Management) was deemed avoidable. HMRC continuously analyses demand on its helplines to identify key drivers of customer contact, seek to reduce unnecessary calls, target service improvements, enhance the customer experience and drive efficiency in its operations.

- 6. What investment has HMRC received to enable it to improve its data gathering and data analysis teams?**

At Spending Review 2025 Phase 1, HMRC received £45m funding for 2025-26 to improve its data and analysis capability, focussing on modernising its foundational data infrastructure, and how it acquires, stores, uses and shares data through advanced analytical and AI tools. Effective management and exploitation of high-quality and timely data is critical to HMRC delivering better interventions at scale, supporting more customers to get their tax right first time, and closing the tax gap.

- 7. Is a Budget of approximately £30 million to combat money laundering sufficient?**

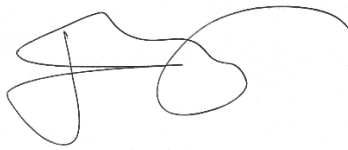
HMRC plays a vital role in the whole-system approach to tackling money laundering: as a statutory anti-money laundering supervisor, protecting the UK against the risk of money laundering and terrorist financing; and as a tax and customs authority using its criminal investigation powers to investigate tax-related money laundering.

Those businesses supervised by HMRC pay the costs of their supervision, rather than this being funded through general taxation. In 2023-24, HMRC received supervisory fee income of £23.4 million.

Fee levels are set in line with the size of the supervised population, the risks within the sectors, and the costs of supervision. Fees have not been increased since 2019. In order to deliver against supervisory commitments, fees are periodically reviewed to ensure sufficient resourcing. HMRC will work with HM Treasury and others to ensure fees are appropriate to enable effective supervision and deliver value for supervised businesses going forward.

HMRC's tax-related money laundering investigations are funded as part of the work of the Fraud Investigation Service to tackle serious tax fraud.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'James Murray', with a stylized, flowing script.

James Murray MP
EXCHEQUER SECRETARY TO THE TREASURY

Annex – 2023-2024 HMRC helpline contact

“Avoidable contact” is an indication of the levels of demand HMRC customer service helplines received that HMRC deems avoidable because there is a digital self-serve alternative for the customer.

By looking at why customers contact HMRC and whether contact was avoidable, HMRC can identify and make improvements to reduce this.

HMRC determines whether contact was avoidable by looking the purpose of customers calls and assigning them to the following categories:

Demand Type	Descriptor	Volumes 2023-24	As a % of demand	Examples include:
Core	Demand that results in an action being carried out by the adviser, where HMRC has no or limited digital alternative for the customer.	5.06m	34%	Contact as a result of a request by HMRC for further information in relation to an ongoing enquiry, or the c26k customers in 2023-24 who called to advise HMRC about scam, phishing, or fraudulent contact.
Avoidable (fully digital)	Fully digital service for both customer and HMRC.	3.27m	22%	Includes simple queries that could easily be serviced online including: Find My Nino – a simple query which is easy to self-serve via the Personal Tax Account (PTA); HMRC received c187k phone calls in 2023-24. Child Benefit customers seeking proof of entitlement, which resulted in c74k calls in 2023-24. Customers requesting copies of forms, for example a paper copy of the Self Assessment (SA) tax return (c43k) which can easily be downloaded from HMRC’s online guidance.
Avoidable (digital for customer only)	Fully digital to customer but requires manual intervention by HMRC.	3.30m	22%	A number of HMRC’s services are digital for the customer but still require action by HMRC on receipt, for example, the Tax Estimate Service (TES), which resulted in 1.8m calls in 2023-24, or appeals against Self Assessment (SA) penalties.
Avoidable (online guidance)	Generic guidance within GOV.UK that should be sufficient to handle the customers enquiry.	1.42m	9%	Multiple examples where guidance is available online but the customer calls for reassurance, such as c145k calls annually for help to complete a tax return.

Avoidable (generic tool)	An information tool is available, but it only provides general guidance. It does not collect personal data that would allow us to give specific answers to individual customer queries.	1.97m	13%	Aimed to reduce the c1.9m calls we get from customers who progress chase HMRC's "Where is my reply" tool is available online which can give customers an indication of latest HMRC post turnaround times, but this is limited as it does not provide an answer specific to their case.
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This measure covers telephony demand across Personal Tax, Benefits and Credits and Business Tax & Customs, measuring the reason why customers have phoned.