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Sir Geoffrey Clifton-Brown
Chair of the Committee of Public Accounts
House of Commons
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Dear Sir Geoffrey,

As discussed in our meeting in November, I am writing to update the Committee on our customer services performance, Making Tax Digital, IR35 and the Off-Payroll Working reforms, and tax evasion in the retail sector.

Customer services performance

Improving day-to-day performance and the overall customer experience is a priority for HMRC and our latest published performance data shows that more calls are being answered and waiting times have reduced. In November, 85.3% of callers who wanted to speak to an adviser had their calls answered, exceeding our 85% target, and the average speed of answer was 13 minutes and 27 seconds. For 2025-26 so far, calls have been answered in just over 13 minutes on average, down from over 19 minutes for the same period in 2024-25. Despite these improvements we recognise that some customers are still waiting too long and achieving further improvement is a priority for us.

Response times for priority correspondence have also steadily improved. In quarter 2, 78.8% of customers received a response within 15 working days, up from 68.6% in quarter 1. In November 2025, 87.8% of priority correspondence met the 15-day target, exceeding our 80% service standard.

Customer satisfaction with our phone, webchat and digital services was 80.0% for the year to end of November 2025-26, meeting our 80% customer satisfaction target. We recognise the continued importance of our telephone and correspondence services and remain committed to maintaining service standards through to 2029-30.

With the 2025-26 Self Assessment deadline approaching, we are experiencing a peak of demand and are committed to ensuring customers – including those needing extra support – can access help online or by phone.

Information is available in large print, audio and Braille formats.
Text Relay service number – 18001

We support customers who need extra help through dedicated extra support teams in both our Customer Services and Customer Compliance Groups. In 2024-25 we increased the Customer Services extra support team by 28%, and by 30 November 2025 it had grown to over 130 colleagues, with further additional staff joining the team before the end of the financial year. We have also provided Voluntary and Community Sector organisations with £5.5m of grant funding between 2024 to 2027 and we are working with the Samaritans to provide bespoke staff training.

I am also pleased to say that around 80% of customer interactions are now online or through automated channels, and our £500m investment in digital services will help more people to manage their tax affairs without having to phone or write to us. Looking ahead, our Transformation Roadmap sets out our ambition for at least 90% of customer interactions to be digital by 2029-30, ensuring that the tax and customs system fits around people's everyday lives while continuing to support people who need to call us because they have complex queries or need extra help.

Key digital service improvements in 2025-26 include:

- enabling the High-Income Child Benefit Charge (HICBC) to be paid through Pay As You Earn (PAYE) for those who file a Self Assessment return solely for that purpose, removing the need for a return and reducing the need for customers to contact us in the long term;
- further developing online PAYE services, so customers can view the most up to date information we hold and report changes that affect their tax;
- expanding voice biometrics to simplify telephone verification, making authentication safer and faster, shortening call handling times, and improving the customer experience; and
- further enhancements to guidance and new education products to help pensioners, businesses and customers starting their first job.

We are transforming the way we communicate with customers as we gradually transition to a digital-first approach from April 2026 onwards, enabling customers to receive updates faster and more efficiently. This transition aims to save £50 million in annual print and postage costs from 2028-29 and reduce postal outputs by around 75%. Digital communications will help customers receive tax codes, payment reminders, and refund notifications more quickly, leading to improved service and reduced delays. Nonetheless, customers using HMRC digital services that still have a need for paper communications and those who are digitally excluded will still have access to paper correspondence.

Further details on timelines and milestones for these improvements are available in our Transformation Roadmap, published on GOV.UK.

In 2025 I appointed our first Chief Customer Officer – Myrtle Lloyd – to reflect that we are a customer-focused organisation, fully committed to meeting our Charter standards. Myrtle is supported in this role by our new Customer Experience Directorate, to ensure our transformation plans and other changes enhance customer outcomes while maintaining strong performance against our Charter.

Making Tax Digital (MTD)

We are on track to deliver MTD for Income Tax for April 2026, which is expected to generate around £3 billion in additional tax revenue by 2030–31. Public testing throughout 2025 has been comprehensive, and around 6,000 volunteers have signed up to test the service to date. This provides confidence in the MTD in-year journey for a wide range of customers. HMRC systems are undergoing rigorous performance and capacity testing to ensure readiness for launch.

We will continue to focus on building customer readiness through targeted communications, tailored guidance, and support. Awareness letters have been issued to all customers identified as likely mandated from April 2026. Paid marketing activity targeted at sectors including construction and landlords will resume in February 2026 after the Self Assessment peak. This is supported by webinars, live events, social media, and updated guidance. There are currently approximately 18,000 sign-ups for April 2026 (consisting of 12,000 early sign-ups and around 6,000 from the public testing phase).

We have also taken steps to reduce additional costs to customers during the transition, providing customers with access to affordable, secure, and compliant software. Collaboration with the software industry means that there are free and low-cost products available, alongside a wider range of paid options, enabling customers to choose a solution that best meets their needs. Many of these products are specifically designed to support unrepresented customers. As of 16 January 2026, there are 45 HMRC-recognised software providers offering 52 MTD-compatible products; 19 of those products provide free or freemium access.

HMRC has controls and processes to ensure that MTD-recognised software adheres to appropriate data-security measures, access-control protocols and encryption policies, ensuring taxpayer information is handled safely and securely and our customers have confidence in the software they use. These include a production approval process and a mandatory Terms of Use framework to ensure that all MTD-recognised software meets the standards required for secure integration with HMRC systems. All software providers must demonstrate compliance with our technical specifications, including secure API connectivity, UK data-protection requirements and relevant industry standards. Products are subject to testing and must meet defined technical and operational criteria before approval is granted.

Under the new system, businesses will submit simple quarterly summaries of income and expenses to HMRC via their software. The move to more regular updates will give taxpayers a clearer and timelier picture of their financial position and a better understanding of their likely tax liability throughout the year, rather than waiting until the annual return. This will not change the requirement to submit an end-of-year tax return, but quarterly submissions will make this process easier. At Autumn Budget 2025, Government announced a period of support for taxpayers joining MTD in 2026-27, designed to provide an opportunity to adapt to the new system, while maintaining high standards of record-keeping and ensuring the integrity of the tax process. Penalties will not apply for missed quarterly submission deadlines in the first year. Customers will, however, still be required to maintain digital records and submit quarterly updates, as these must be provided before an annual tax return can be submitted.

Ongoing evaluation has shown that MTD for VAT supports businesses' productivity. Users have reported increased confidence that they are getting their VAT right alongside time savings. HMRC is working to ensure that similar benefits are available to a wider range of taxpayers through MTD for Income Tax. MTD supports the conditions for a modern digital economy through digital record keeping and software that integrates with the systems and processes that businesses use day-to-day. This improves accuracy, strengthens the roles of agents and software as intermediaries and lays the foundations for wider modernisation, including the adoption of e-invoicing.

IR35 and the Off-Payroll Working reforms

As set out in my correspondence of May 2025, the 2021 Off-Payroll Working reform shifted responsibility for determining the employment status for tax of an engagement from the workers intermediary, usually a personal service company, to the client that was engaging them.

HMRC published its intended compliance approach in advance of the reforms coming into effect and in February 2021 provided further information. We take an end-to-end approach committing to support businesses in getting determinations correct through support and various guidance products, including the regularly updated Employment Status Manual and the extensive Guidelines for Compliance (GfC). The GfC published in November 2023 were developed based on insight gained through compliance activities identifying areas where customers needed more support in getting it right.

We seek to understand the impact of the changes on businesses and workers through evaluation, identifying areas of difficulty, and where we identify errors, we will take steps to ensure customers receive the support and guidance needed to correct mistakes whilst ensuring that serious or deliberate non-compliance is addressed appropriately.

HMRC's compliance activity is risk based and intelligence led and conducted in line with the Litigation and Settlement Strategy. We have settled a number of compliance cases working with customers to correct errors in their processes and to get their tax position right.

Due to HMRC's strict duty of confidentiality and to avoid prejudicing the future collection of tax we are unable to disclose details such as the number of ongoing compliance checks. Where we undertake compliance interventions, some will close without any corrective action being necessary. Where non-compliance is identified, HMRC will consider if behavioural penalties are appropriate, in addition to repaying any tax, national insurance, apprenticeship levy and interest due.

Tax evasion in the retail sector

HMRC, working in partnership with Companies House and the Insolvency Service, continue to make progress in implementing the recommendations set out in the Committee's report *Tax evasion in the retail sector*. On behalf of the Chief Executives of Companies House and the Insolvency Service, I wrote to the Committee in September 2025 to update on the actions taken to implement the recommendations and provided a further update in the December 2025 Treasury Minute Progress Report.

Alongside our ongoing work to implement the Committee's recommendations, the measures announced in Budget 2025 will further strengthen our approach to tax compliance within this sector.

Announcements at Autumn Budget 25

At Budget 2025, we published an update to our tax debt strategy, setting out how we aim to deliver sustained, year-on-year reductions in tax debt as a proportion of receipts up to 2030. This fell as a percentage from 5.2% in 2023-24, to 5.0% in 2024-25, and we are aiming to decrease it to between 3% and 4% by 2029-30.

Measures announced at Budget 2025 build on previous investment to close the tax gap and are expected to raise £2.4 billion in additional tax revenue in 2029-30. This will be achieved in part by taking significant action to pursue those who attempt to bend or break the rules – such as further action against illicit activity on the high street and a strengthened reward scheme for informants who provide information which allows HMRC to tackle high-value avoidance or evasion. We are also significantly scaling up our work tackling offshore non-compliance by the wealthy. By the end of 2029-30, an additional 400 specialists will work in this area.

This brings the total additional revenue raised from tax compliance measures announced in this Parliament to £10 billion per year by 2029-30.

We are determined to build on our progress to date as we continue to modernise and reform tax and customs administration and support wider government economic aims in the year ahead. We will publish our outturn position in our Annual Report and Accounts, and I look forward to discussing this with the Committee in due course.

Best wishes,

John-Paul Marks

CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY