

State of Tax Administration 2025

November 2025

STATE OF TAX ADMINISTRATION 2025

HIGHLIGHTED FINDINGS

The UK's tax authority appears to be protecting a greater amount of revenue through compliance activity than ever before. HMRC's overall 'compliance yield' has more than recovered from its pandemic dip: it reached £48 billion in 2024-25, up 15 percent from the previous year, and an increase of 30 percent from 2019-20 - though tax receipts themselves are up 38 percent since 2019-20. HMRC estimated that the 'tax gap' - the percentage of total tax due that went uncollected - was just 5.3 percent in 2023-24 (the last available year), near to its all-time low of 5.1 percent just prior to the pandemic.

Most of the increase in HMRC's compliance yield is not growth in the amount of avoided or evaded tax that HMRC recovers, but a rise in the amount of tax non-compliance HMRC estimates it has prevented 'upstream', before it takes place, through 'nudges', taxpayer education, closing loopholes, and deterrence. These preventative measures made up 41 percent of HMRC's estimated 'compliance yield' in 2024-25, compared to 29 percent in 2020-21.

Activities chasing taxpayer non-compliance after the fact - compliance checks, investigations and prosecutions - are all still below pre-pandemic levels.

Prosecutions for tax fraud in 2024-25 were less than half the number in 2019-20, though charging decisions have nearly regained pre-pandemic levels. Compliance yield excluding purely 'upstream' categories was £28.5 billion in 2024-25, down from a peak of £30.4 billion in 2018-19.

The amount of tax recovered or protected from offshore tax evasion is still very small. As of February 2025, HMRC's compliance yield from tackling all forms of offshore tax evasion since 2018-19 was £1.7 billion: less than 1 percent of the total compliance yield since 2018-19. Even the introduction of global agreements which reveal UK taxpayers' offshore bank accounts to HMRC have yielded just £821m since 2018-19. This is less than 40 percent of the tax that HMRC estimates was due from this undeclared offshore account income. Penalties introduced in the wake of the Panama Papers in 2017 to tackle enablers of offshore tax evasion have still never been used.

HMRC will not disclose the amount of tax it estimates is lost through offshore tax non-compliance. HMRC has told the Public Accounts Committee that it had no estimate for the offshore tax gap. TaxWatch has now determined that it does have an estimate of "offshore tax at risk" but refuses to publish it.

HMRC's efforts to tackle tax non-compliance nonetheless continue to be good value for money. Every pound that HMRC spent on recovering or preventing unpaid tax in 2024-25 generated £23. This 'return on investment' has been rising since 2022-23, though is still below pre-pandemic levels for most taxpayer groups. It varies widely across different taxpayer groups: in 2024-25 it was £6.48 for non-wealthy individuals, and £57.94 for large businesses. In 2024-25 HMRC recovered or protected less than 30 percent of the annual amount of tax it estimates goes unpaid by small businesses.

The debt balance - tax that has been declared or finally assessed as due from UK taxpayers but has not yet been collected - has nearly doubled since March 2020. HMRC reduced it by just £0.6 billion in 2024-25 compared to 2022-23. At £43.8 billion, the total debt balance now almost equals the annual 'tax gap'.

- 01 **CLOSING THE TAX GAP**
- 02 **IMPROVING DAY-TO-DAY PERFORMANCE AND CUSTOMER EXPERIENCE**
- 03 **REFORM AND MODERNISATION OF TAX AND CUSTOMS ADMINISTRATION**

HMRC is already behind schedule in delivering the government's major effort, announced in Autumn 2024, to tackle the tax gap, offshore evasion and tax debt by recruiting 5,500 new compliance staff and 2,700 debt management staff. The government expects to raise £15.5 billion extra tax revenue from this recruitment effort over the course of this parliament. So far HMRC has recruited 744 of the promised 5,500 new compliance staff, of which only 26 are experienced staff who are already operational (0.4 percent of the promised total new staff). The rest are still in 18-month initial training. Only 1,200 of the 2,700 "additional" HMRC debt management staff promised by ministers will actually be new, additional staff. None have yet been recruited. While the number of staff working on offshore tax non-compliance is increasing, the number of offshore-dedicated staff in the Fraud Investigation Service - the department that actually investigates serious tax non-compliance - has decreased by nearly 10 percent over the last five years.

In 2024, just 52 percent of individuals who dealt with HMRC reported a good experience, the lowest level in the last eight years. Large businesses - an elite group of around 2,000 very big taxpayers given their own customer compliance managers - are the only group of taxpayers with persistently high positive experiences and opinions of HMRC. By contrast, individual taxpayers' perceptions are worsening regarding both poor customer service and - more concerningly - fair treatment. Individual taxpayers that believe positively that "HMRC applies penalties and sanctions equally to all customers" has declined sharply from 41 percent in 2021 to 27 percent in 2024. Only 61 percent of surveyed individuals in 2024 agreed that HMRC has treated them fairly, down from 71 percent in 2021. This is lower than the figure for small businesses (76 percent), and much lower than for large businesses (87 percent).

Surveyed individuals reporting that HMRC had made errors in its dealings with them fell from 18 percent to 11 percent in 2024. Nonetheless numbers of complaints to HMRC have continued to rise. Nearly half of the 93,589 complaints that HMRC received in 2024-25 were fully or partially upheld, as well as 35 percent of complaints referred to the external Adjudicators' Office.

Most types of appeals of HMRC's decisions are down, but nearly 70,000 appeals of automated/default penalties - for example, for late filing of tax returns or late payment - were lodged in 2024-25, a five-fold increase since 2019-20. Two-thirds were cancelled on appeal, indicating a major problem with HMRC accurately applying these automated/default penalties, which may affect the most vulnerable taxpayers disproportionately.

The projected costs of Making Tax Digital (MTD), HMRC's landmark project to make self-assessment taxpayers do their taxes via software and file quarterly returns, have increased from £885 million to £1.4 billion in 2024-25.

Meanwhile HMRC's estimate for the amount of additional tax MTD will generate has been reduced in 2024-25 from £6.3 billion to £4.3 billion. Accountancy firms have questioned HMRC's estimate that mandatory MTD obligations will add just £110 of annual costs to taxpayers.

HMRC's ability to respond to taxpayer communications is improving but still missed HMRC's targets in 2024-25, after a £51 million funding boost in 2024 for answering calls and correspondence. The average call waiting time fell for the first time since 2016-17 but is still four times longer than in the mid-2010s, when HMRC was receiving nearly 50 percent more calls. In 2024-25 taxpayers and their agents spent over 1,186 years collectively waiting on the phone to HMRC, and 6.5 million calls - nearly 20 percent of all calls - were unanswered.

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INTRODUCTION

HMRC is under pressure.

Generational demands on key areas of public spending from defence to social care to special educational needs; a Treasury adhering to strict fiscal rules on borrowing; and a government struggling to minimize breaches of its manifesto commitment not to raise national insurance, income tax or VAT (which continue to provide three quarters of all tax revenues): all these are increasing the weight placed on improving the effectiveness of UK tax administration to meet the government's spending plans.

Within HMRC itself, challenges are rising too. Tax and customs administration systems are increasingly facing high-volume criminal attacks, from artificial company formation to fake PAYE registrations, whose rapidity and scale are now being boosted to unprecedented levels by online automation and AI.^{1 2} High levels of fraud and error in R&D credits, personal tax credits and child benefits have led to the National Audit Office qualifying HMRC's accounts every year since 2019-20. And in the next three years, with the roll-out of Make Tax Digital for Income Tax Self Assessment (MTD for ITSA), HMRC will have to deliver the biggest change in a generation in how nearly three million taxpayers do their taxes.³

Reducing the £47 billion tax gap was the largest revenue pledge in the current government's 2024 manifesto: promising £5 billion more tax revenue per year by the end of this parliament.⁴ Since the election, those figures have gone up even further. The 2024 Autumn Budget and 2025 Spring Statement promised measures to boost HMRC capacity and close 'loopholes' that the government expects will raise £7.5 billion in extra annual tax revenues.^{5 6} And although all Budgets typically promise increased tax yields from improved compliance and enforcement, the high-pressure November 2025 budget and 2026 Finance Bill are already being trailed as including new measures to tackle tax non-compliance in efforts to avoid even greater tax rises.

Yet the UK's revenue authority is being asked to do more with less. Though promised additional staff funding of £1.7 billion over four years in the 2025 Comprehensive Spending Review (CSR), HMRC will overall see a real-term budget cut of 1.5 percent annually during this parliament. This includes annual capital spending cuts of over 24 percent: by far the deepest of any government department, and a serious challenge for an organisation tasked with a 'digital first' transformation requiring new infrastructure, from digital security tools to AI.⁷

Since 2024, the government has announced extra funding for 7,900 staff: a 13 percent increase in HMRC staffing that is expected to bring an extra £5 billion of tax revenues by 2029-30, the second-biggest revenue-raising measure of any tax policy so far announced by this government (after increased rates of employers' NIC). Yet as figures obtained by TaxWatch show, recruitment of these new staff is already below target; the vast majority of those recruited are still years from becoming operational; and 1,500 of staff that ministers have

described as “additional” are now not in fact going to be new, additional staff at all.

We shouldn’t overstate HMRC’s challenges. Figures calculated for this report show that investment in HMRC remains staggeringly good value for money: in 2024-25, every pound spent on HMRC’s compliance functions, for instance, raised or protected £23 in additional tax revenues, a figure that has been rising since 2022-23.⁸ But with compliance “return on investment” still below pre-pandemic levels, and rising dissatisfaction on the ‘customer’-facing side of HMRC’s business, it has never been more urgent to fix HMRC’s core systems, and to maintain expertise and capability amongst its staff.

This is the fourth of TaxWatch’s annual ‘State of Tax Administration’ reports, covering the 2024-25 tax year. Using published data and extensive figures obtained via Freedom of Information, the report seeks to look underneath HMRC’s latest annual reporting, to examine how HMRC’s progress in the last year compares with past performance; whether the deployment of its staff and resources matches the measured challenges of the tax system; and to track taxpayers’ experiences of tax administration.

Quantitative metrics, most of which TaxWatch has tracked since 2022 or before, are grouped against the government’s three strategic priorities for HMRC, which the new Exchequer Secretary reiterated in his speech to the HMRC Annual Conference on 16 September 2025:

- “Closing the tax gap”;
- “Improving day-to-day performance and the overall customer experience”;
- “Reform and modernisation of the UK’s tax and customs system.”

The report also focuses on two specific issues which have received particular public attention: tackling offshore tax evasion; and the prospects for a successful rollout of MTD for ITSA.

The vast majority of the data underlying this report come from HMRC itself, either via published statistics or on request via Freedom of Information disclosures. While there are some important areas where HMRC systematically refuses disclosure - particularly around the use of powers and penalties, and its estimates of offshore tax evasion - overall this report is testament to HMRC’s extensive transparency about its operations.

We welcome any suggestions for improvements or additions to our metrics and analysis. Please contact TaxWatch at info@taxwatchuk.org

1. CLOSING THE TAX GAP

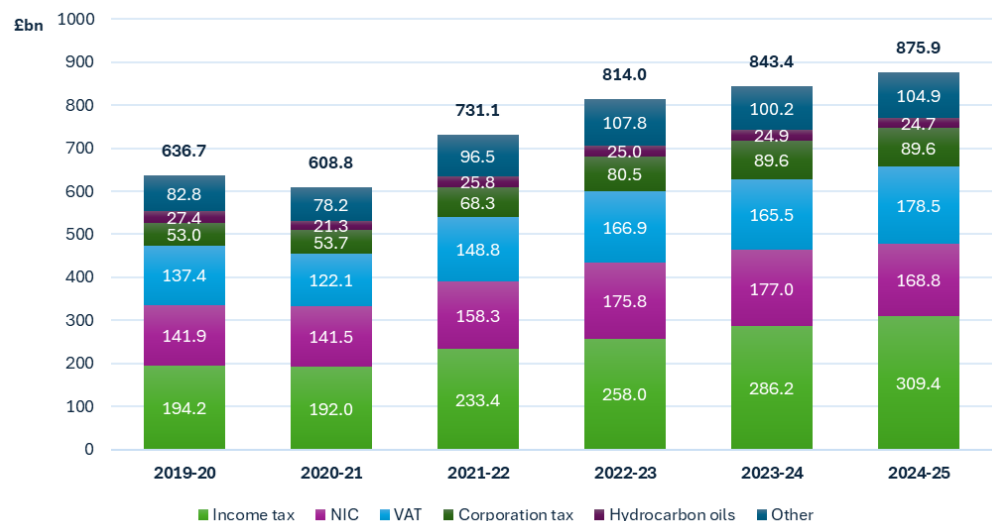
1.1 Tax Revenues

To understand whether tax is being collected effectively, it is necessary to know what the tax take looks like.

Total UK tax revenues in 2024-25 rose to £875.9 billion, 3.8 percent more than the previous tax year. This is real growth, given year-on-year inflation 2023-24 of around 1.25 percent.⁹ The 'big three' (income tax, national insurance contributions and VAT) continue to raise just under 75 percent of all revenue, a proportion which has remained stable.

Figure 1: Total tax revenues, 2019-20 to 2024-25

Source: HMRC Annual Report and Accounts, 2024-25, p. 199



- Rising tax revenues are due to growth, inflation and 'fiscal drag': over time, static thresholds bring more taxpayers into scope for particular taxes, or into higher rate bands. In 2022-23 there were 33.4 million income tax payers, estimated to have risen to 38 million in 2024-25, and projected to rise to 39.1 million in 2025-26.¹⁰
- VAT and income tax revenues in 2024-25 rose significantly compared to the previous year (Figure 3), while national insurance revenues dropped by £8.2 billion, likely due to the January and April 2024 cuts in Class 1 and Class 4 National Insurance Contributions by four percent and three percent respectively, and the abolition of Class 2 National Insurance Contributions. These changes, which the new government has not reversed, had been projected cumulatively to cost £19.5 billion in foregone revenues in 2024-25.¹¹
- The continued freezing of hydrocarbon oils duty (fuel duty) rates against inflation means that fuel duty revenues continue to fall in absolute and percentage terms: they are now less than 3 percent of total tax revenues. Nearly 15 years of fuel duty freezes relative to inflation, and a 5 percent rate cut in 2022, have now cost the Exchequer over £100 billion since 2010-11, even after factoring in lower demand from higher fuel duty.¹³ Though rates may finally be allowed to rise with inflation in 2026, over the long term the shift to electric

vehicles and other reductions in hydrocarbon use are likely to drive fuel duty revenues down further, with no clear plan for how to replace this £25-30 billion slice of the public finances.¹⁴

- Several taxes that receive significant public and political attention, and are the focus of significant proportions of avoidance and evasion efforts, still constitute tiny proportions of overall tax take. Capital gains tax (CGT) raised only £13.8 billion (1.58 percent of total tax take) in 2024-25, and inheritance tax (IHT) only £8.2 billion (0.94 percent). This doesn't mean that the income or gains to which these taxes apply are small. Both these taxes have high built-in thresholds, allowances and exemptions: particularly the £325,000 nil-rate IHT threshold, estimated to cost £23.3 billion in foregone tax revenues in 2024-25;¹⁵ and the main residence CGT exemption, estimated to cost £32 billion in 2024-25.¹⁶ In addition, the amount of 'missing' tax in these categories through avoidance and evasion is difficult to estimate, applying to transactions which occur irregularly over time, and which are often associated with offshore structures. HMRC rates the IHT tax gap as 'high' uncertainty,¹⁷ meaning there is "[l]ittle [sic] suitable data and of poor quality. Most of the data is not properly understood, many caveats but no alternative."¹⁸

Figure 2: Tax revenues by type, 2019-20 to 2024-25

Source: HMRC Annual Report and Accounts, 2024-25

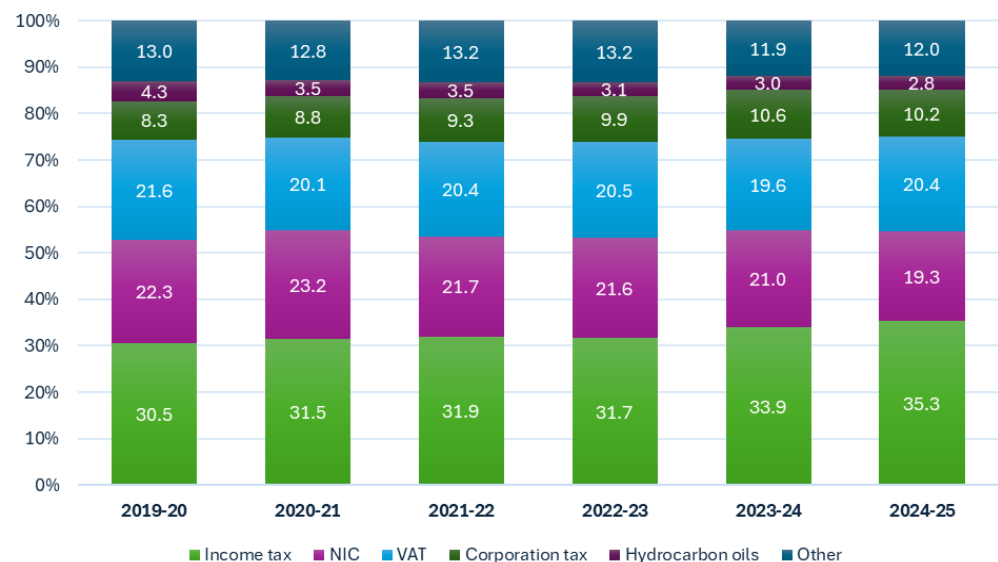
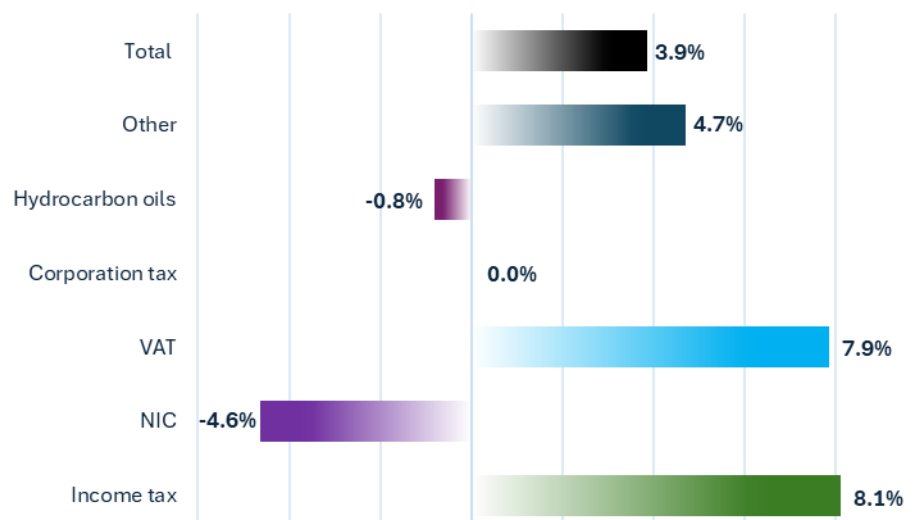


Figure 3: Percentage change in revenues by tax type, 2023-24 to 2024-25

Source: HMRC Annual Report and Accounts, 2024-25 and 2023-24

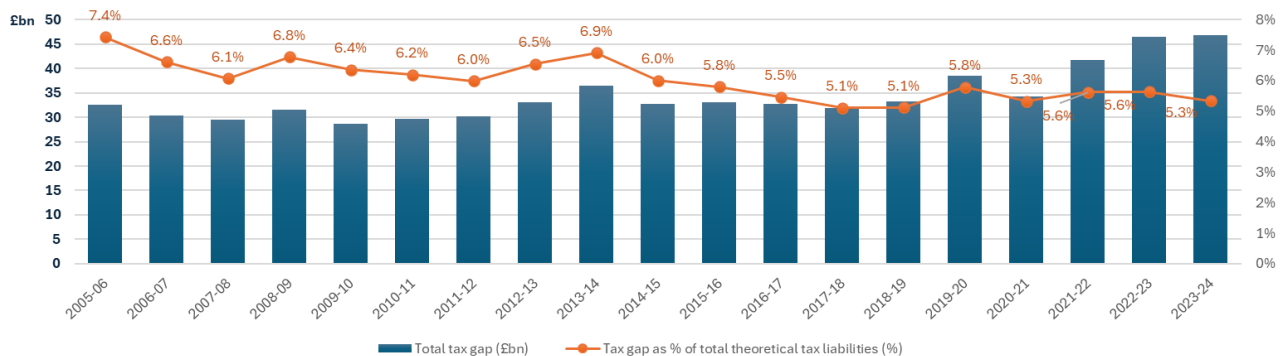


1.2 The tax gap

The tax gap - “the difference between the amount of tax that should in theory be paid to HMRC, and what is actually paid”¹⁹ - is rising in absolute terms, but the tax base is also rising. Proportionate to theoretical total tax liabilities, the tax gap appears to be falling (Figure 4).

Figure 4: The Tax Gap as reported in June 2025

Source: HMRC Measuring Tax Gaps, 2025 edition



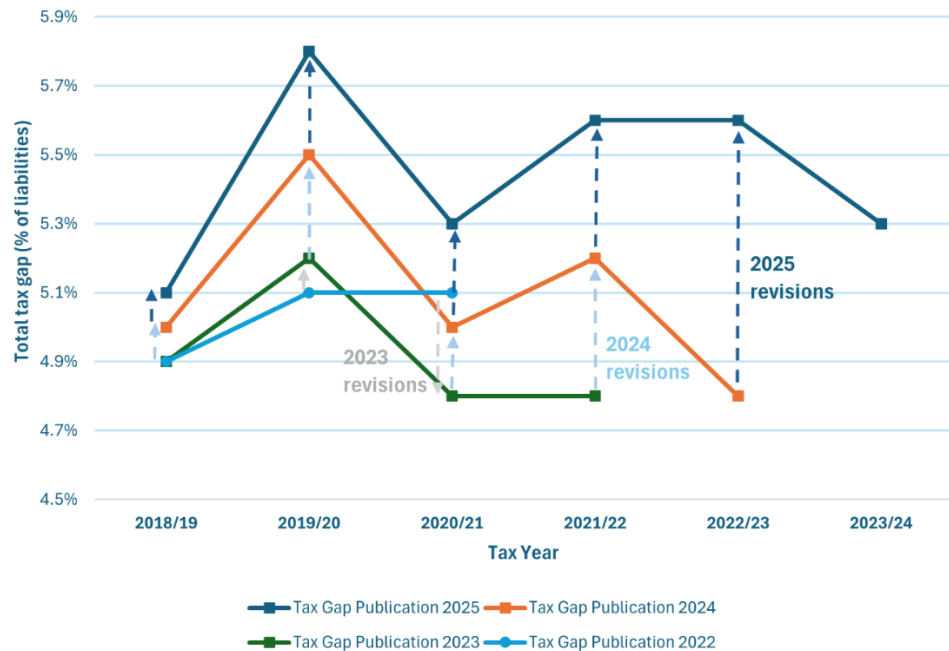
However, this is not the whole picture. In each annual tax gap publication, previous years' tax gap figures are revised: for example, the expected yield from compliance cases covering tax liabilities in past years changes as those cases develop, more unpaid tax liabilities come to light, or tax that HMRC initially believes is due from taxpayers turns out not to be due. These revisions receive almost no public attention, but are often substantial, and usually upwards. In other words, as time goes on HMRC is finding more 'tax gap' in previous years.

The upwards revision of previous years' tax gaps was particularly pronounced in 2025: HMRC revised upwards the 2022-23 tax gap by £6.6 billion: from £39.8 billion (or 4.8 percent of theoretical liabilities, as reported in 2024) to £46.4 billion (or 5.6 percent of theoretical tax liabilities, as reported in 2025). There were particularly large upwards revisions of the previous estimates of unpaid VAT (£5 billion) and corporation tax (£0.8 billion for large businesses, £1.4 billion for small businesses).^{20 21}

The effect of these upward revisions of previous years' figures is to keep the tax gap falling in percentage terms. Whereas comparing the 2023-24 tax gap as first reported in 2025, with the 2022-23 tax gap as originally reported in 2024, would show a marked rise in the tax gap, from 4.8 percent of total liabilities in 2022-23 to 5.3 percent of total liabilities in 2023-24 (Figure 5).²²

**Figure 5: Tax gap revisions
(percentage of total
theoretical liabilities), 2023
edition to 2025 edition**

*Sources: HMRC Measuring
Tax Gaps, 2022-2025
editions (via National
Archives website)*



There is no suggestion that HMRC alters previous years' figures to flatter progress in tackling the tax gap. (For example, we understand that the large VAT gap revision is due to revisions in past years' figures from the Office for National Statistics about levels of UK economic activity, to which the VAT gap estimate is scaled). Nonetheless these revisions do show high levels of uncertainty and provisionality in tax gap estimates and trends. 15 of the tax gap's 24 components have uncertainty ratings of 'high' (9) or 'very high' (6) uncertainty.²³ Though these 15 categories cover only 21 percent of the tax gap by value,²⁴ their uncertainty means that they may constitute a greater proportion of the missing tax if they are underestimates.

For instance: in May 2025 the National Audit Office reported that the annual amount of unpaid tax recovered by HMRC compliance teams from 'wealthy taxpayers' has risen by £3 billion since 2019-20, reaching £5.2 billion of annual 'compliance yield' in 2023-24.²⁵ Yet HMRC's Tax Gap estimate for the *total* amount of tax going unpaid annually by these wealthy individuals - between £1.4 and £2.1 billion since 2019/20 - has been much less than the actual *increase* in missing tax recovered.²⁶

Compliance yield is not the same as tax gap, with timing and category differences, and are therefore not directly comparable. Nonetheless the fact that HMRC has in recent years *boosted* its compliance yield from wealthy taxpayers each year by more than the entirety of HMRC's estimate of the annual amount of tax that goes unpaid by wealthy taxpayers, as the NAO pointed out, means that either wealthy individuals have become much less compliant, but HMRC "has then been successful in tackling the increase in non-compliance through its compliance activity, such that the amount of non-compliance it is unable to stop has remained the same" (a behaviour change that is highly unlikely); or levels of tax non-compliance among wealthy individuals are much greater than HMRC's estimates.²⁷

Conversely, the average compliance yield from small businesses from 2019-20 to 2023-24 was less than a third of the estimated annual tax gap on average: again, not directly comparable, but a trend over time that suggests either that the small business tax gap estimate is a significant overestimate, or that small business compliance efforts remain insufficient.

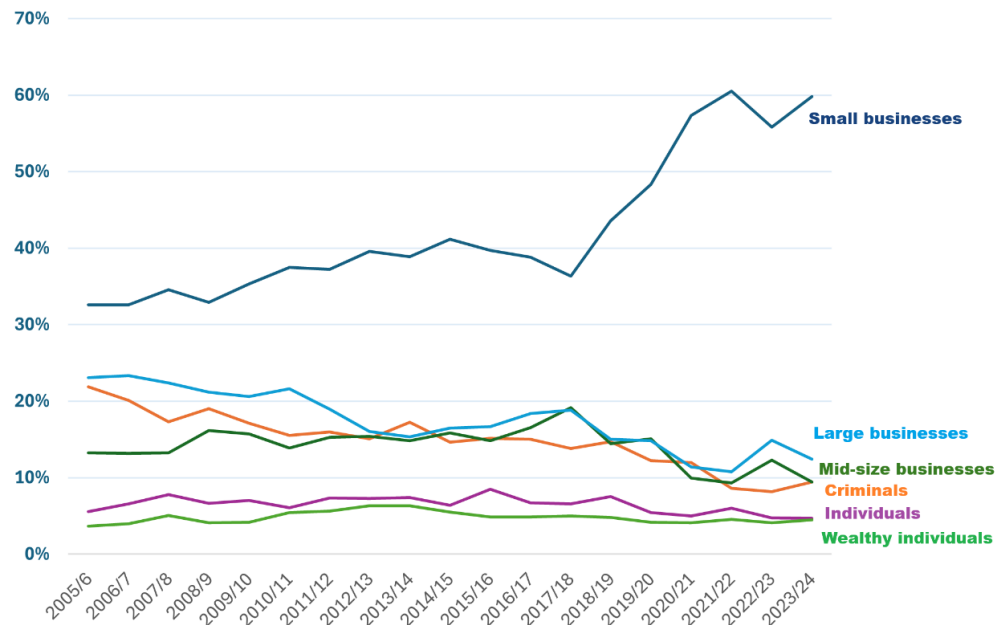
Section 3.3 below examines whether recent changes in HMRC compliance staffing match changes in the tax gap. It finds that staffing of the individuals and small businesses compliance directorate has fallen since 2022-23, despite the fact that HMRC's estimate for the small business tax gap continues to rise and has doubled since 2019-20 (see section 1.3 below). Conversely the directorate responsible for tackling mass-marketed tax avoidance schemes has increased its staffing by 8 percent since 2019-20, while HMRC's estimate of the marketed avoidance tax gap has shrunk to just £0.2 billion, down from £1.5 billion in 2005-6; and HMRC now estimates that there are just 20-30 active promoters of marketed avoidance schemes.

1.3 The tax gap: main trends

The dominant trend in the tax gap as estimated by HMRC continues to be the dramatic rise of the 'small business' tax gap, which has risen in absolute terms from £11.6 billion in 2017-18 to £28 billion in 2023-24, and now accounts for sixty percent of the total tax gap (Figure 7).

Figure 7: Tax Gap by taxpayer group since 2005-06, as reported in 2025

Source: HMRC, *Measuring Tax Gaps: 2025 edition*, Table 1.4



Though HMRC's figures do not break down these taxpayer-specific gaps entirely into different behaviours and taxes, we can see that over half of the small business gap (£14.7 billion) is corporation tax, though this estimate has high uncertainty, with upper and lower estimates ranging from £9.5 billion to £23.4 billion.²⁸ HMRC estimates that 37 percent of small businesses' corporation tax returns in 2023-24 understated tax liabilities by £1000 or more, a proportion which has risen from 11 percent in 2017-18 (though inflation will account for some of this increase).²⁹

Why the small business tax gap has doubled since 2019-20, while small business compliance yield has remained essentially static during that time, is one of the most pressing unanswered questions in the UK tax system. There has been much media speculation about what tax behaviours are underlying this rise, including the theory that it relates in part to disguised remuneration tax avoidance schemes involving setting up micro-companies for individual taxpayers.³⁰ TaxWatch understands that in fact the small business tax gap, identified through a sample of cases in HMRC's Mandatory Random Enquiry

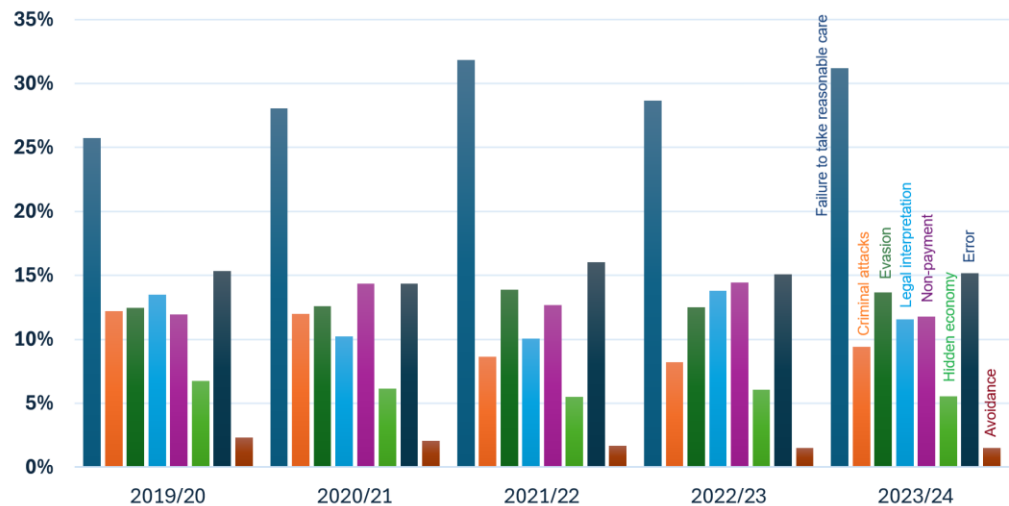
Programme, consists primarily of corporate income that is simply undeclared.³¹

The two largest tax gap ‘behaviours’ in HMRC’s estimates have for many years not been avoidance or evasion but ‘error’ and ‘failure to take reasonable care’: respectively 15 percent and 31 percent of the tax gap in 2023-24 (Figure 8). It is therefore clear that there are huge revenue gains to be found in improving the diligence and accuracy of small businesses’ corporation tax returns.

Notably, these are in part improvements to be made by customer service teams rather than the customer compliance teams that have been promised extra staff to close the tax gap since 2024 (see below Chapter 3).

Figure 8: Tax gap by behaviour since 2019/20 (as percentage of total tax gap)

Source: HMRC, Measuring Tax Gaps: 2025 edition, Table 7.1, Marketed tax avoidance schemes



During 2025, tax avoidance scheme promoters and enablers have continued to be the target of new proposed powers and penalties (see below Section 1.7); tribunal cases (Section 1.6); and HMRC ‘naming and shaming’, including the first naming of a barrister as a tax avoidance scheme promoter,³² and the first individual (rather than company) served with an avoidance scheme ‘stop notice’.³³

However, the estimated tax gap generated by avoidance schemes marketed at individuals has fallen dramatically from its peak of £1.6 billion in 2006-07, to just £200 million in 2023-24.³⁴ Enhanced powers and concerted enforcement efforts have evidently been effective. HMRC now estimates that there are around 20-30 active promoters of marketed avoidance schemes.³⁵ Either this estimate is too small, or it is time to ask whether in fact the further expansion of powers and enforcement tools that HMRC is seeking against marketed avoidance schemes might be better targeted at newer threats, such as automated criminal attacks.

The Offshore Tax Gap

All UK residents are required to pay tax on foreign income and gains (‘offshore tax liabilities’). As with tax that is due on UK income and gains, the vast majority of offshore tax is paid accordingly, but the revenue lost to offshore evasion and avoidance - the ‘Offshore Tax Gap’ - is not well understood for obvious reasons: the underlying offshore assets may be invisible to the revenue authority. Until October 2024 HMRC had never released specific estimates of any of its components.

The experimental estimate that HMRC released in late 2024 covered one tax year (2018-19), the first year that jurisdictions began to exchange information about financial accounts under the ‘Common Reporting Standard’ (CRS). It

only covered undisclosed income in foreign bank accounts connectable to a known UK taxpayer, which HMRC estimated resulted in around £300 million of lost tax in that year.³⁶

By HMRC's own admission, this £300 million figure barely scratches the surface. It covers only a "narrow class" of offshore income: interest, dividends and capital gains in individual bank accounts in countries that share data with the UK (more below). It excludes entire swathes of offshore tax risk – for example, overseas business profits, income shielded through trusts or corporate entities, and undeclared wealth in jurisdictions that do not fully cooperate with HMRC. In essence, the published number addresses only straightforward cases of individuals hiding savings in offshore accounts, not more complex offshore structures. (Correspondingly, compliance yield from the much-heralded CRS and US Foreign Account Tax Compliance Act (FATCA) automatic information exchange systems is also quite small: for 2018-19, when HMRC first received information on over 7 million foreign accounts owned by UK taxpayers, it obtained only £100 million in compliance yield from these information-exchange systems: a mix of unprompted disclosures, one-to-one compliance checks, and 'nudges').³⁷

The House of Commons Public Accounts Committee noted that HMRC's published £300 million estimate seemed "implausibly low" given the myriad ways income can be concealed offshore, and that as of 2019, UK residents held £849 billion in offshore accounts across the jurisdictions sharing information with HMRC.³⁸

Publicly, HMRC has insisted that its £300 million estimate for offshore financial account evasion is its only estimate relating to the offshore tax gap. Asked by the Public Accounts Committee in February 2025 to set out HMRC's "*current estimate of the offshore tax gap*",³⁹ beyond the £300 million offshore account evasion estimate for 2018-19, the Chief Executive replied unequivocally in writing: "*HMRC does not currently have an estimate for the overall offshore tax gap.*"⁴⁰ However, a National Audit Office report in May 2025 appears to contradict this: the NAO reported that "*internally, HMRC has identified a much larger amount of tax at risk from all forms of offshore non-compliance, but it does not publish this figure.*"⁴¹ HMRC has also confirmed to TaxWatch that it has "*an internal estimate of offshore tax at risk used to inform business planning choices, resourcing prioritisation and operational compliance activity, as well as influencing longer term policies and strategies*" but has refused to release this figure to TaxWatch.⁴² HMRC is withholding its estimate of offshore tax evasion from public release on the grounds that the figure on the grounds that it would be "*misinterpreted*" as an official tax gap figure, and also that "*disclosure of the requested figure would distract officials from the production of robust official statistics and divert necessary resource to instead seeking to corroborate the internal estimate.*"⁴³

The report of the Comptroller and Auditor-General on HMRC's latest annual report reiterates the limitations of the £300 million estimate and urges HMRC to "*continue to improve [the] assessment of the offshore tax gap.*"⁴⁴ In the meantime, the stark disparity between the very small official offshore gap and the larger suspected loss feeds a narrative that significant offshore tax losses remain unquantified and potentially unaddressed.

As of February 2025, £821 million of compliance yield has been generated from CRS and similar automatic information-sharing agreements regarding taxpayers' foreign financial accounts (see below). Taking at face value HMRC's estimate that £300 million of tax went unpaid annually from offshore account income held in UK taxpayers' names and subsequently revealed to

HMRC through CRS and similar agreements, £821m is still just 39 percent of the unpaid tax that would be expected in the seven years since 2018-19. From tackling all forms of offshore tax evasion, HMRC estimates that it has generated £1.7 billion in overall compliance yield since 2018-19.⁴⁵ This is a very small proportion of the £256 billion of total compliance yield since 2018-19.⁴⁶

Offshore Tax Data

The main source of information for HMRC about UK taxpayers' foreign financial assets is through the Common Reporting Standard (CRS), an international agreement negotiated under the OECD and implemented by the UK in 2016, with the first reports exchanged in 2017. It enables the UK automatically to receive details on around 9 million offshore financial accounts beneficially owned by UK taxpayers in 100+ jurisdictions.⁴⁷

The CRS data is used by HMRC in its big-data analytics system ('Connect'), which cross-references 22+ billion lines of data (including bank accounts, property records, and tax returns) and reportedly flags 500,000 cases (both onshore and offshore) for review each year.⁴⁸ This information informs "nudges" where there are discrepancies between CRS data and UK tax returns; the recipients of nudges who do not voluntarily correct their records typically face enquiries and penalties.

Although CRS' geographical coverage is growing, a handful of jurisdictions remain outside CRS. Most prominently, the United States has never adopted CRS, relying instead on its FATCA regime. The UK's 'FATCA' agreement with the US is bilateral, enabling some information exchange on UK taxpayers' accounts in US financial institutions, but provides less data, particularly on account balances and non-US sourced income, than the CRS standard.⁴⁹ Current efforts by the US administration and state-level litigation to roll back US domestic reporting of the beneficial ownership of legal entities may also impact the effectiveness of FATCA for other countries, by removing independent sources of information on the real ownership of legal entities that may hold US financial accounts, a back-stop to financial institutions' own beneficial ownership checks.⁵⁰

Beyond the US, some other countries with significant UK economic links do not share account information with the UK under CRS or similar automatic-exchange agreements, including Bangladesh, Egypt, Sri Lanka and several Pacific, Latin American and African states.⁵¹

OECD peer reviews repeatedly flag incomplete or inaccurate data in exchanges with CRS states. For instance, Ghana's 2023 review noted that other tax authorities "achieved a relatively low level of success" matching Ghana-sourced data, with partners reporting incomplete information and missing dates of birth.⁵² Similarly, Kuwait's peers reported poor match rates, citing "incorrect or incomplete addresses" in the data received.⁵³

CRS itself has structural limits that can undermine transparency. For example, entities and accounts outside CRS' scope can create secrecy gaps. By design, CRS covers individual and entity accounts held by "tax residents" in participating jurisdictions, but it may not catch accounts held through complex cross-border structures. Private trusts and certain investment vehicles (e.g. bearer-share companies, some pooled investment funds, or crypto-assets not originally in CRS) can evade reporting unless jurisdictions tighten laws. CRS has no built-in penalty like FATCA's withholding tax, so reporting relies on voluntary compliance and domestic enforcement.⁵⁴

As well as mutual assistance and cooperation between tax authorities via tax treaties and information-exchange agreements,⁵⁵ the UK also sits within two key international enforcement networks. HMRC is a founding member of JITSIC (Joint International Taskforce on Shared Intelligence and Collaboration), a 40-jurisdiction taskforce formed under the OECD's Forum on Tax Administration, intended to co-ordinate cross-border investigations and identify new tax risks.⁵⁶ In 2018 the UK also helped launch the J5 (Joint Chiefs of Global Tax Enforcement) alliance with the US, Canada, Netherlands and Australia. The J5 "shares the latest technology and analytical capacity" to target major international tax crime and money laundering.⁵⁷

Finally, HMRC is not limited to official information-sharing between tax authorities, law enforcement and financial institutions. It continues to draw upon leaked information on offshore assets and legal entities. Since June 2023 HMRC has targeted a major 'one-to-many' letter campaign on UK taxpayers identified in the 'Pandora Papers' leak which has continued during 2024 - though new data presented below (section 1.5) suggests it has not been very fruitful.⁵⁸ The most prominent 2024-25 criminal prosecution for offshore tax evasion notably involved two UK taxpayers who evaded £3.2 million of UK tax by concealing their interest in UK land owned via a British Virgin Islands' company whose beneficial owners were disclosed online as early as 2016 as part of the Panama Papers leak⁵⁹ (though HMRC's profile of this case in its 2024-25 Annual Report does not mention the Panama Papers, and it is possible that HMRC was originally alerted to the case from other sources).⁶⁰

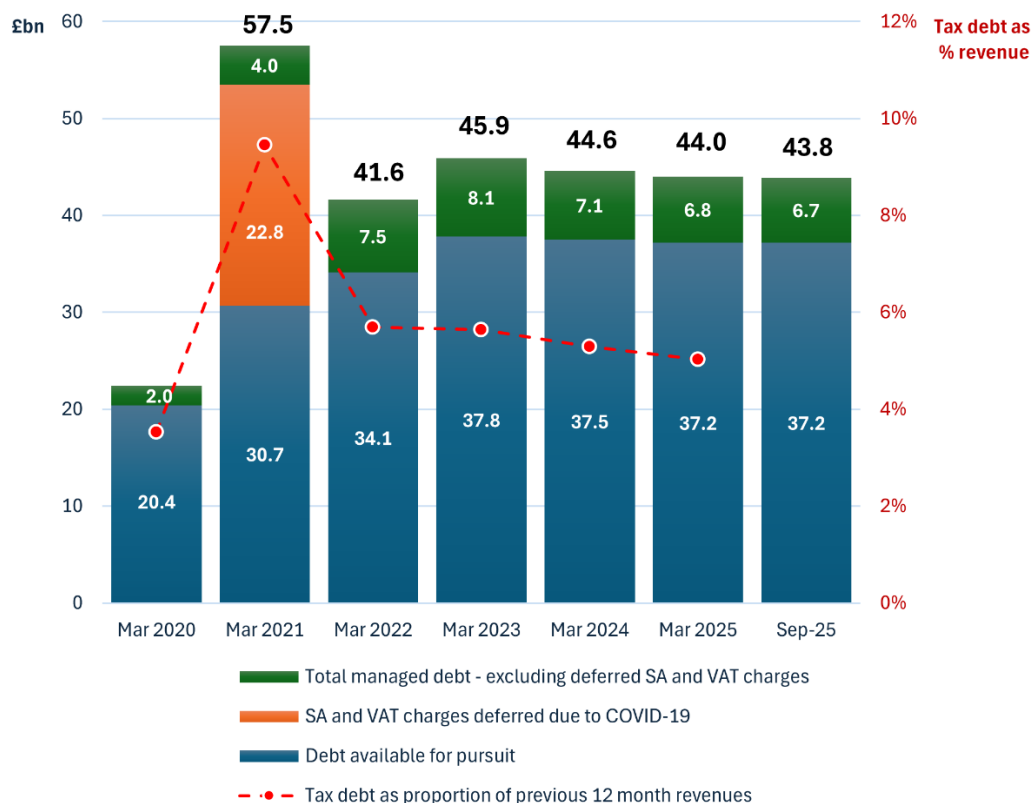
1.4 The debt balance

The debt balance is tax that has been declared and/or assessed as due from UK taxpayers, but has not yet been collected.

Though it receives much less public attention than the tax gap, the debt balance now almost equals the tax gap. It increased dramatically during the Covid-19 pandemic and continues to be twice the pre-pandemic level (Figure 9).

Figure 9: The debt balance

Source: HMRC quarterly performance updates, 2020 to 2025. Note this is tax debt as reported quarterly in cash terms. It therefore differs slightly from tax debt as reported in HMRC's Annual Report and Accounts, which accounts for tax debt on an accruals basis.



The government acknowledges that the debt balance is now a serious problem. The Autumn 2024 budget⁶¹ and Spring Statement 2025⁶² promised a total of £617m of additional funding over the next five years to boost HMRC's work with private-sector debt collection agencies, modernise HMRC's debt management case system to move towards automated debt recovery, and implement a new pilot project to recover aged debts.

This additional funding includes:

- “£262 million over the next five years to fund 1,800 HMRC debt management staff” announced in October 2024, promising to raise “£2 billion per year in additional revenue by 2029-30”;⁶³
- “600 additional HMRC debt management staff” announced in March 2025, promising to raise an additional £145m per year by 2029-30.⁶⁴

Overall, this additional investment in debt management capacity promised to raise additional annual revenues totalling £2.745 billion by 2029-30.⁶⁵ This collectively represents the largest revenue gain from any announced tax measure during 2024-25 apart from the increase in the employers' national insurance rate. Section 3.2.1 below examines how the recruitment of debt management staff announced in 2024-25 has progressed.

1.5 Compliance

HMRC's compliance activities cover:

- **Upstream compliance:** efforts to ensure that taxpayers pay their due taxes before non-compliance occurs. HMRC includes under this rubric: some customer-facing work, taxpayer education, ‘nudges’ and prompt campaigns, and work to prevent tax avoidance or evasion by closing legislative loopholes and changing HMRC processes.⁶⁶ HMRC also includes in its ‘upstream

compliance yield' an estimate of the deterrence effect from downstream compliance.

- **Downstream compliance:** efforts to recover tax due after non-compliance has occurred. This includes reducing or refusing fraudulent or erroneous tax returns and claims; as well as HMRC's inquiries, assessments, and civil/criminal investigations of specific taxpayers.

Both upstream and downstream compliance contribute to several elements of HMRC's overall estimated compliance yield, which covers:

- Cash Expected from compliance activities.
- Revenue Loss Prevented through both upstream and downstream compliance efforts.
- Future Revenue Benefit from improved compliance.
- Upstream Operational Compliance Yield from taxpayer education, taxpayer support, closing 'loopholes' and nudge/prompt campaigns.
- Upstream Product and Process Yield from improved HMRC systems that prevent non-compliance.⁶⁷

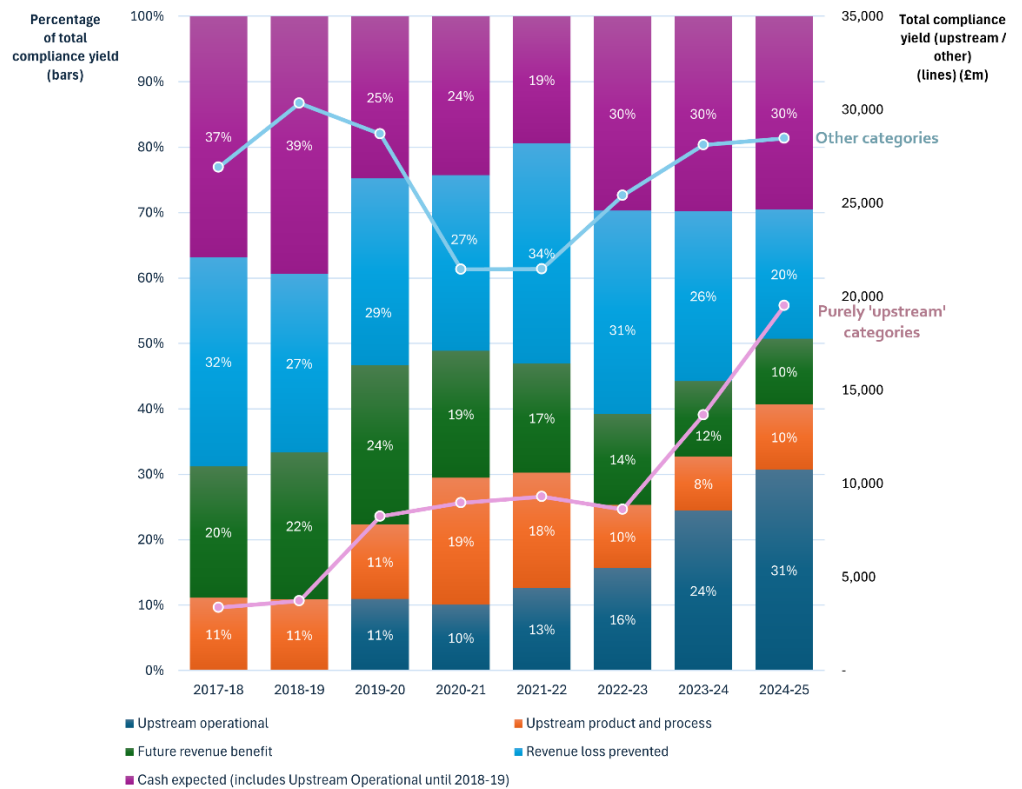
HMRC's overall compliance yield continues to increase, reaching £48 billion in 2024-25 (up 15 percent from £41.8 billion in 2023-24). Compliance yield has now more than recovered from its pandemic dip (Figure 10).

However, this increase continues to be driven primarily by growth in categories which consist purely of 'upstream compliance' estimates: the tax loss that HMRC estimates that it has *prevented before it occurs*, rather than actual payments from taxpayers as a result of compliance activities. Since 2020-21, most of the increase in compliance yield has been in 'Upstream Operational': the tax loss that HMRC estimates that it has prevented through nudges, closing loopholes, and an estimate of the "deterrent impact achieved by securing certainty of tax treatment at litigation". This category has increased nearly five-fold since 2020-21 and is now the largest component of compliance yield overall (Figure 10). While we do not know its precise breakdown, HMRC states that the highest-value measures within this 'Upstream Operational' category in 2024-25 were recognising "the deterrent impact achieved by securing certainty of tax treatment at litigation, deterring taxpayers from future non-compliance". It is unclear how future non-compliance through similar behaviours as those defeated at tribunal are measured.

Annual 'Cash Expected' has also nearly doubled in value since 2020-21, from £7.4 billion to £14.2 billion, reflecting some very large 'downstream' compliance cases in recent years.⁶⁸ Nonetheless excluding categories of compliance yield that are purely 'upstream', the remaining categories totalled £28.5 billion in 2024-25, which is still below their pre-pandemic level of £28.7 billion in 2019-20 (Figure 10).

Figure 10: Compliance yield:
total purely upstream (£ million), total other categories (£ million), and components (as percentage of total)

Sources: HMRC Annual Report and Accounts, 2017-18 to 2024-25



'Nudge' campaigns

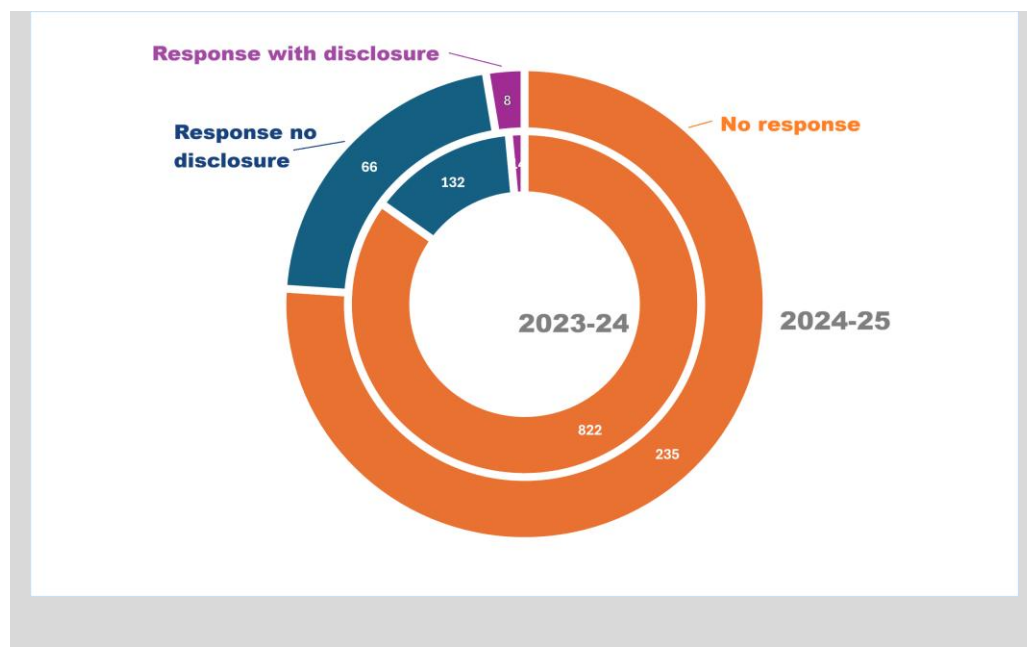
In common with behavioural approaches in other parts of government, HMRC is increasingly using campaigns of 'nudges' - including letters and text messages - to notify risky groups of taxpayers about their tax, filing and disclosure obligations; or to prompt corrections from taxpayers in whose returns HMRC has identified potential discrepancies. 'One-to-many' letter campaigns hope to prompt disclosures of unpaid tax before one-to-one compliance checks or other investigations are necessary. For example, taxpayers with foreign financial accounts identified via CRS or other automatic information exchange mechanisms receive letters to prompt them to declare any offshore income or gains within scope of UK tax.⁶⁹

Compliance yield from such behavioural work is incorporated within several larger categories of upstream and downstream compliance, including 'upstream operational yield',⁷⁰ so it is difficult to disaggregate the effectiveness of one-to-many letters and similar 'nudge' efforts from that of one-to-one actions like compliance checks.⁷¹

One letter campaign for which TaxWatch obtained statistics indicates low response and disclosure rates. From June 2023 onwards, HMRC began to write to UK taxpayers identified in the 'Pandora Papers' leak, a body of 11.5 million records relating to clients of fourteen company service providers in offshore financial centres such as the British Virgin Islands released in 2021.⁷² The letter campaign continued into 2024 (Figure 11). Recipients were given three months (later extended to six months) to respond. By March 2025, 1,277 letters to named individuals had generated 220 responses (17 percent) and just 22 disclosures (1.7 percent). Of course, having an offshore company or asset does not equal having undeclared taxable income or gains. Nonetheless response rates themselves - even where no disclosure was forthcoming or perhaps necessary - raise the question of whether nudges need better targeting or stronger incentives to contribute better to disclosures.

Figure 11: Pandora Papers letter campaign

Source: HMRC via Freedom of Information requests, 2 April 2024, 21 March 2025



‘Return on investment’

Unsurprisingly, compliance yield from different categories of taxpayer vary widely, with wealthy individuals and large corporations constituting over half the total compliance yield in 2024-25.⁷³ More strikingly, the cost of a given amount of compliance yield varies greatly between taxpayer groups.

Broadly: generating compliance yield from smaller taxpayer groups with larger tax liabilities per taxpayer is much more efficient than generating compliance yield from larger groups of taxpayers each with smaller tax liabilities. For example: HMRC spends nearly double the amount on compliance activities for non-wealthy individuals (£540 million) as for wealthy individuals (£290 million), but achieved £0.2 billion more in compliance yield from wealthy individuals in 2024-25⁷⁴ (and £1.8 billion more from wealthy individuals in 2023-24, likely reflecting a small number of very large compliance cases that year, including the conviction of Bernie Ecclestone for tax fraud which generated over £650 million in tax, interest and civil penalties).⁷⁵ Similar differences can be found in compliance spend vs. compliance yield between small, medium and large businesses.

We can compare this ‘return on HMRC’s investment’ (ROI) in compliance activities for different taxpayer groups: dividing the amount of compliance yield per group, with the amount spent on compliance activities for each group. This is a crude measure, but does show the large differences in compliance activities’ ‘efficiency’ between different taxpayer groups (Figure 13):

- Overall, HMRC’s compliance ROI is very high: £1 spent on compliance generated £23 in compliance yield in 2024-25. This suggests that investment in HMRC compliance functions is money very well spent, even if we expect diminishing returns to compliance spend as the remaining un-tackled cases get tougher;
- On average, compliance ROI across all taxpayer groups has risen slightly since 2021-22, but has still not regained pre-pandemic levels in all categories except wealthy individuals and mid-sized businesses;

- Each pound spent on non-wealthy individuals' compliance generated £6.48 in compliance yield in 2024-25;
- By contrast, each pound spent on large businesses' compliance generated £57.94 in compliance yield;
- Compliance ROI is rising over time for large and mid-sized businesses, but is roughly constant over time for other categories.

Figure 12: Compliance yield per staff

Sources: HMRC response to TaxWatch Freedom of Information request, 2 July 2025; HMRC, 'Annual Report and Accounts, various years. Note: compliance staff numbers not available for 2024-25.

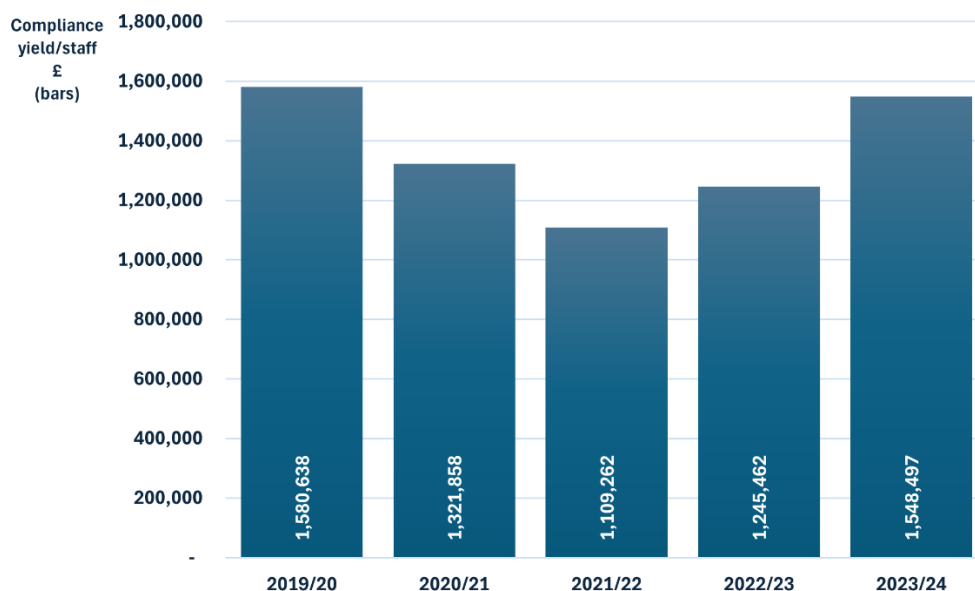
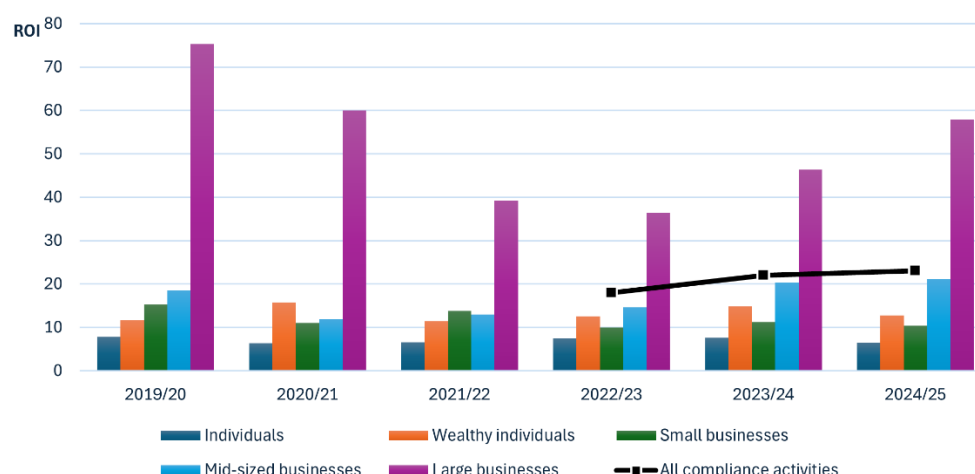


Figure 13: Compliance 'Return on Investment' (ROI) by customer group and overall

Sources: HMRC Annual Report and Accounts, various years; HMRC, 'Tax by Different Customer Groups', 2019-20 to 2024-25. ROI is calculated as total compliance yield divided by total compliance spend.



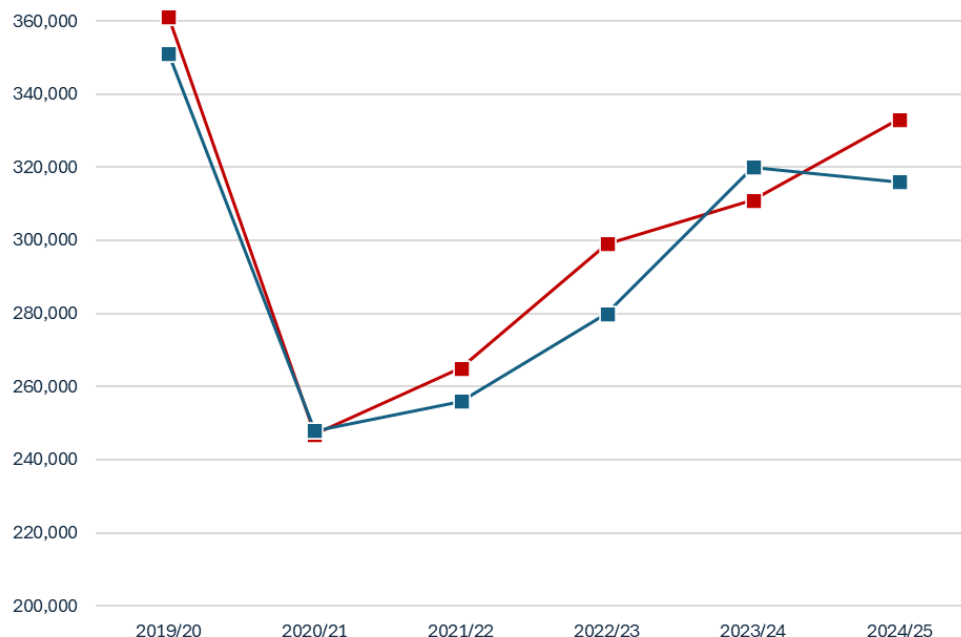
Compliance checks

Compliance checks are HMRC's initial inquiry into a taxpayer's tax return or tax credit claim, when HMRC's systems identify potential errors or inaccuracies.⁷⁶ Following a compliance check, HMRC may amend a taxpayer's return or claim, or issue an additional assessment.

The number of compliance checks opened and closed fell significantly during the Covid-19 pandemic, and still have not returned to pre-pandemic levels (Figure 14). 2024-25 also saw a return to the long-term trend of the number of compliance checks opened exceeding the number closed.

Figure 14: Compliance checks opened and closed per year, 2019-20 to 2024-25

Source: Report by the Comptroller and Auditor General, HM Revenue and Customs Accounts, 2019-20 to 2024-25



1.6 Tax disputes

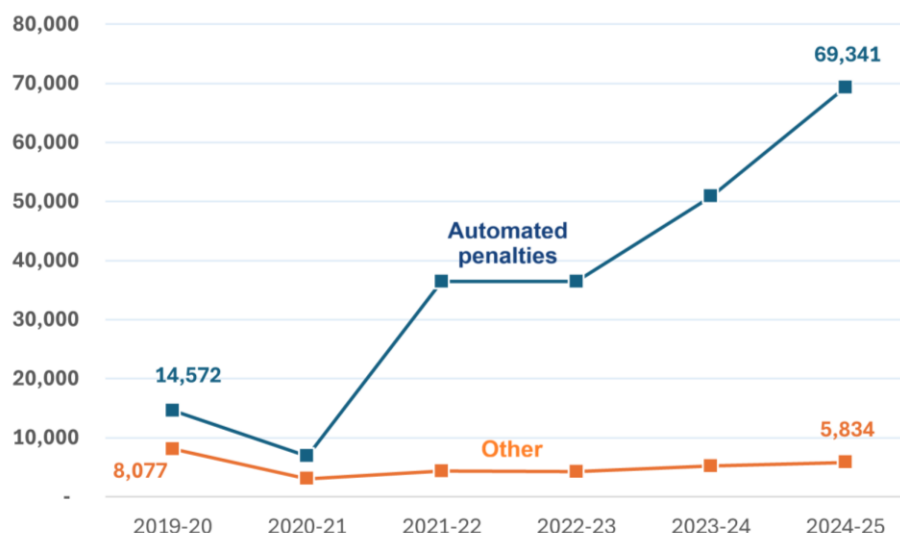
Where HMRC and a taxpayer continue to disagree over a tax liability or tax credit, there are three major ways that disputes can be settled: by requesting a statutory review of HMRC's decision by a professional in HMRC's Legal Group; via mediation (Alternative Dispute Resolution); or by appealing to tribunal.

Statutory reviews

Statutory reviews of HMRC assessments and penalties have more than tripled since before the pandemic (Figure 15), an increase driven entirely in statutory reviews of HMRC automated penalties and default surcharges - for example, penalties for late payment or for filing a tax return after the due date, imposed automatically on a taxpayer. Reviews of these penalties have increased nearly fivefold between 2019-20 and 2024-25, while statutory reviews of other types have fallen by a quarter.

Figure 15: Annual number of statutory reviews, 2019-20 to 2024-25 for automated penalties/default surcharges and other matters

Sources: HMRC Annual Report and Accounts, 2019-20 to 2024-25



Given this massive increase in challenges to automated penalties, it is of concern that a large majority of HMRC automated penalties appealed via statutory review are overturned altogether (Figure 16). In 2024/25, 67 percent of such penalties appealed to statutory review were cancelled, compared to just 12 percent of other types of assessments and penalties reviewed. The proportion of automated penalties cancelled on appeal is down slightly from the five-year average (70 percent).

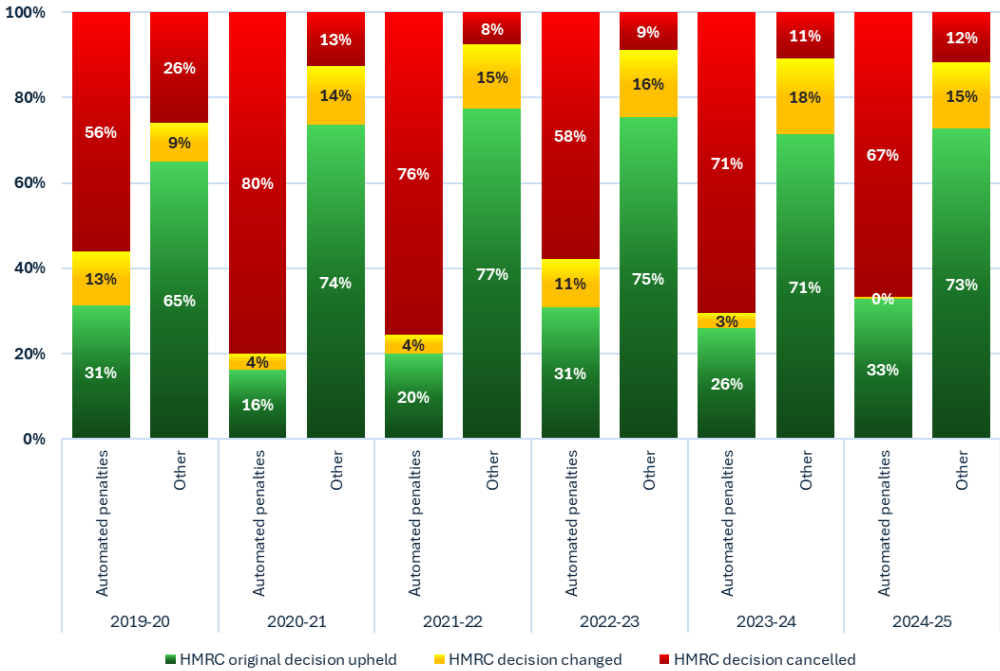
The fact that over two-thirds of automated penalties that are appealed to review are subsequently cancelled is testament to the independence of the reviewers within HMRC's Legal Group. However, as TaxWatch and others have repeatedly pointed out, it also suggests that HMRC continues to have a serious and persistent problem in incorrectly applying automatic penalties since the system was introduced in 2010-11. Given these statutory appeal figures, it is likely that many automated penalties which taxpayers simply pay, and are not reviewed, may also have been incorrectly applied.

Though some automated penalties are individually small, they now produce significant sums of revenue: £220 million from self-assessment late filing penalties alone in 2022-23.⁷⁷ They may cause serious hardship to low-income taxpayers. A £100 penalty for failing to file a self-assessment tax return, for example, can attract additional penalties to a minimum of £1600 by twelve months, and can then accrue further interest on late-paid penalties.⁷⁸ When the automated penalty system was introduced in 2010-11, a cap on the total penalty debt that could be accrued was removed.⁷⁹ ⁸⁰ Around 120,000 individuals who have no self-assessment income tax liabilities at all receive late payment penalties every year.⁸¹

A new penalty regime under Making Tax Digital for Income Tax Self Assessment (MTD for ITSA) from April 2026 will abolish the first late-filing fine for self-assessment taxpayers (though also increase the second one to £200). However, there is no date yet to apply MTD and its revised penalty regime to taxpayers with incomes under £30,000. Meanwhile, rapidly accruing penalty regimes continue to exist for other taxes and taxpayer groups.

Figure 16: Statutory review outcomes, 2019-20 to 2024-25

Source: HMRC Annual Report and Accounts, 2019-20 to 2024-25

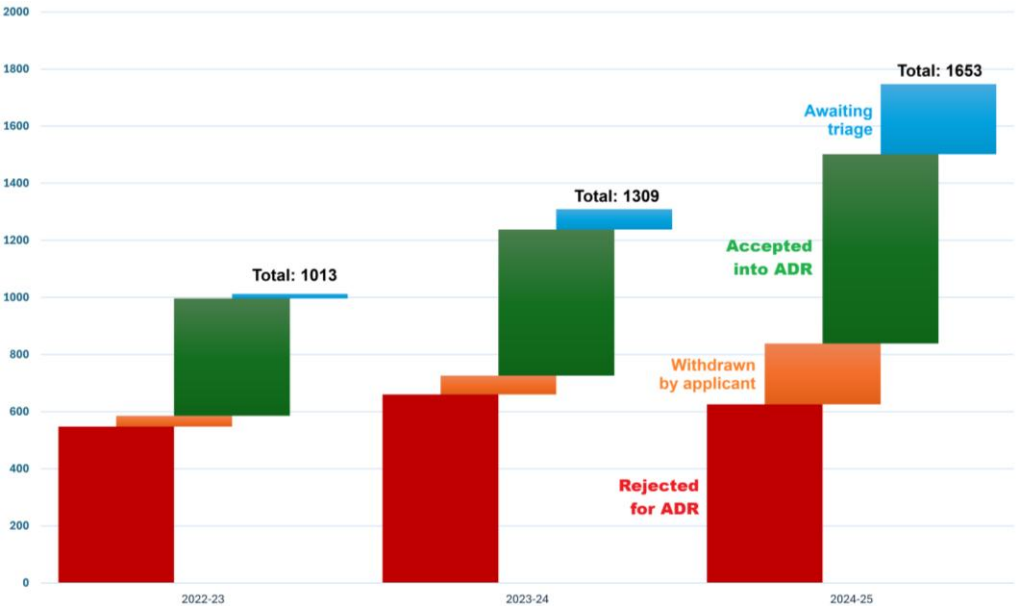


ADR and appeals

Alternative Dispute Resolution (ADR) is a more rapid process for settling some matters in a dispute between HMRC and a taxpayer outside of tribunal. A wide range of disputes are excluded from ADR, including all criminal matters, debt management, tax credits, PAYE coding, the high income child benefit charge/taper, automated penalties, civil evasion penalties, and others.⁸² It is not widely used, though numbers are gradually increasing (Figure 17): only 40 percent of applications are accepted into ADR, though HMRC reports that between 70 and 90 percent of cases have some resolution through ADR.

Figure 17: ADR applications

Sources: HMRC Annual Report and Accounts, 2022-23 to 2024-25



Tribunal cases

If other dispute resolution methods fail, taxpayers can appeal HMRC assessments, notices and penalties to the courts system. Cases usually begin in the First-tier Tribunal (Tax), and may progress to the Upper Tribunal (Tax).

A very small number of taxpayers - no more than 15 in any year since 2016-17 - also appeal an HMRC decision to the High Court. Between 15-30 cases each year reach the Court of Appeal, and 4-6 tax cases each year reach the Supreme Court (Figure 18).

Figure 18: Number of tax dispute cases heard per year

Sources: HMRC Annual Report and Accounts, 2022-23 to 2024-25; Freedom of Information

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
First-tier Tribunal	1130	1966	1642	1907	1052	833	2021	1500	1997
Upper Tribunal	78	77	59	49	53	54	51	57	58
High Court	15	15	8	3	3	3	1	12	4
Court of Appeal	28	29	31	18	17	27	25	16	19
Supreme Court	4	5	5	4	5	4	6	5	4

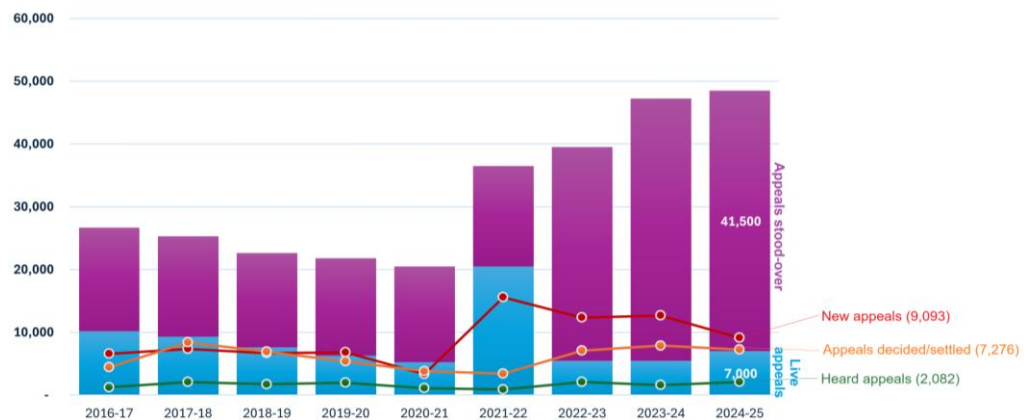
As with other parts of the post-pandemic court system, backlogs are large (Figure 19). In 2024-25 there were some 48,500 appeals in progress, more than double the number in 2020-21 (20,500).

The situation is improving: cases decided or settled have increased by two-thirds since 2016-17, and new cases arriving in the tribunal system annually are declining, though are still above pre-pandemic levels. Nonetheless around 25 percent more cases arrived in the system in 2024-25 than were decided or settled. This gap between new and settled cases is closing, but the backlog will continue to grow until this ratio is negative.

Post-pandemic case management strategy appears to be focussed heavily on 'standing over' cases until other similar 'lead' cases - often avoidance schemes - have been decided. The number and proportion of stood-over cases has increased dramatically since the pandemic, from 16,000 (44 percent) in 2021-22 to 41,500 (86 percent) in 2024-25.

Figure 19: New, settled and heard tribunal cases per year; stock of live and stood-over appeals at 31 March each year

Source: HMRC Annual Report and Accounts, 2016-17 to 2024-25



When it gets to tribunal, HMRC success is high (Figure 20): it succeeded in a record proportion of First-tier Tribunal cases (93 percent) in 2024-25, though its success at Upper Tribunal dropped to 71 percent, a 9-year low.

Figure 20: HMRC success rates by court

Sources: HMRC Annual Report and Accounts, 2022-23 to 2024-25; Freedom of Information. Note: 'Success' is defined either as a decision wholly for HMRC, or in which substantive elements of HMRC's case succeeded. A wider range of success rates in the High Court, Court of Appeal and Supreme Court are due to much smaller number of cases, in which a single case can alter success rates substantially.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
First-tier Tribunal	84%	78%	75%	83%	86%	88%	92%	88%	93%
Upper Tribunal	83%	74%	78%	76%	83%	78%	73%	81%	71%
High Court	73%	93%	88%	67%	100%	100%	100%	83%	100%
Court of Appeal	79%	90%	74%	50%	82%	93%	92%	75%	74%
Supreme Court	50%	90%	100%	50%	40%	50%	100%	60%	75%

Notwithstanding HMRC's high levels of success at tribunal, several tribunal judgements during 2024-25 centred on the *fairness* of HMRC's compliance conduct. Though the common law duty of a public body to act fairly in administering its statutory powers has long been reserved to judicial review,⁸³ two First-tier Tribunal cases considered this question with opposite outcomes:

- In *Sewell v. HMRC*, the First-tier Tribunal regretfully dismissed an appeal from an individual who had built a static caravan for himself and his wife to live in, having been told by an HMRC adviser by telephone that the goods used for its construction would be zero-rated for VAT. HMRC then rejected the individual's VAT refund application, on the grounds that the advice from HMRC's own staff had been wrong. HMRC's case succeeded essentially because the FTT had no jurisdiction to enforce HMRC's duty to act fairly, which the court ruled should instead be determined via complaint or judicial review. The judge in the case nonetheless noted that: "*HMRC's patent misdirection calls into question the validity of the point they make in many tax cases where they criticise taxpayers for failing to contact HMRC to clarify their tax position. Whilst I do not underestimate the quality control issues faced by HMRC, if this is typical of the quality of advice that is given when making contact, then HMRC might want to consider whether that criticism is justifiable.*"⁸⁴
- Conversely, in *Treasures of Brazil Ltd v. HMRC*, the First-tier Tribunal found that HMRC's conduct had been "*conspicuously unfair*" and thus that the Tribunal *was* able to consider the public law question of HMRC's fairness in administering its powers. In this case HMRC had told a prospective VAT registrant in writing that their business should not charge VAT to their customers until their VAT registration was confirmed. The taxpayer then sent further requests for update to HMRC over several months. Three months after the taxpayer's initial inquiry, HMRC finally issued a VAT registration letter to the business, which was backdated by three months. HMRC then sought to insist that the business should have been charging output VAT during the previous three months.⁸⁵ The tribunal upheld the taxpayer's appeal against this assessment.

1.7 Investigations, enforcement and prosecutions

Tax fraud covers a number of different civil and criminal offences, and includes deliberately submitting false documents or tax returns; falsely claiming

repayments or reliefs; offshore concealment of income or gains; and smuggling taxable goods.

HMRC's criminal investigation policy, last published in 2021,⁸⁶ continues to lean heavily towards pursuing tax fraud through civil investigations on cost-effectiveness grounds. HMRC states that always reserves the right to open a criminal investigation during a civil one. However, its policy states that in general it will use criminal enforcement avenues only if it wishes to deter particular behaviour strongly, or if certain serious conduct is detected, such as the "use of false or forged documents" (although in practice HMRC has even dealt with cases in which tax advisers have allegedly forged clients' expenses documentation as civil cases under the 'Dishonest tax agents' penalty regime).⁸⁷

The largest and most complex tax fraud cases are handled by HMRC's Fraud Investigation Service (FIS),⁸⁸ which also now covers a range of other economic crimes including export control offences and trade sanctions violations.

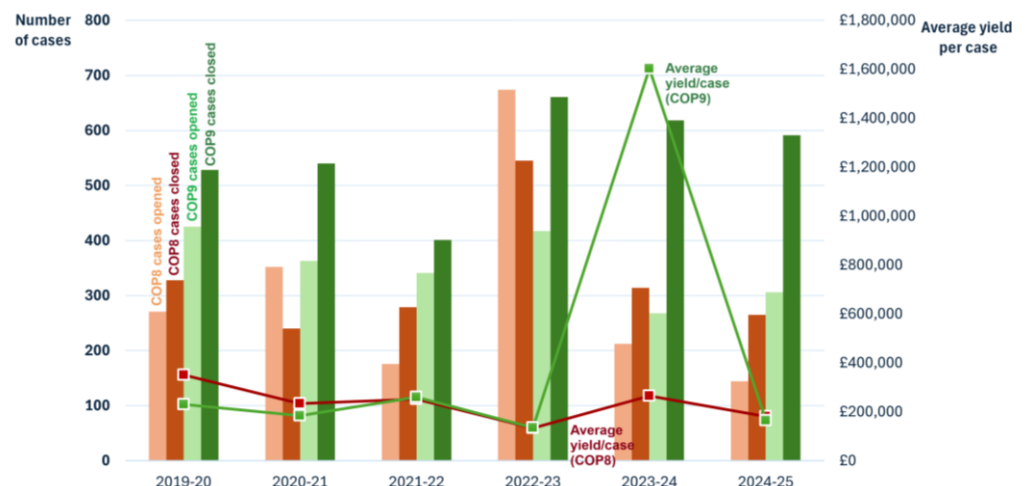
Civil investigations

FIS' civil non-compliance cases are handled under two main procedures: 'Code of Practice 8 (COP8)' (large amounts of tax owed but fraud not initially suspected) and 'Code of Practice 9' (COP9) (fraud suspected at outset).⁸⁹ Cases can move from COP8 to COP9 if the investigation uncovers evidence of fraud, and from either to a criminal investigation.

Over the last three years, HMRC reports that FIS has average opened 11,250 civil investigations annually into suspected fraud.⁹⁰ It is unclear what processes these investigations cover, because figures for the number of COP8 and COP9 cases opened annually are much smaller. In 2024-25, 144 COP8 cases were opened and 265 closed, while 306 COP9 cases were opened and 591 closed (Figure 21). These figures are a return to pre-pandemic levels after a high number of cases opened and closed in 2022-23. With relatively small numbers of cases opened and closed in each category, compliance yield per case varies widely from year to year: the overall trend of yield/case is slightly down over time, though 2023-24 was an anomalously fruitful year for high-value COP9 cases, likely due to one or a small number of very large cases.

Figure 21: Fraud Investigation Service serious/complex civil cases, 2019-20 to 2024-25

Source: HMRC, Fraud Investigation Service: technical notes, 2019-20 to 2024-25



Penalty regimes

Over the last fifteen years, successive Finance Acts have added a large number of new powers and penalties to HMRC's civil armoury: particularly covering (i) enablers of tax avoidance and evasion; and (ii) offshore concealment/evasion and its enablers, introduced in 2016-17 in the wake of the 2015 Panama Papers leak and other offshore ownership disclosures.

In 2024-25 HMRC consulted on a suite of new powers against promoters and facilitators of marketed tax avoidance schemes, including new criminal offences and measures to prevent scheme promoters' access to third party services such as banking or internet provision.⁹¹ It also consulted on a streamlined process and expanded grounds for penalising tax advisers who facilitate tax abuse.⁹²

However, questions remain over whether *existing* powers and penalties are being used adequately or at all (Figure 22). While HMRC provided the Public Accounts Committee in early 2025 with an impressive aggregate figure of 17,000 penalties for "deliberate non-compliance" issued in 2023-24,⁹³ resists requests for precise information regarding the use of penalties and powers regarding enablers or promoters of tax evasion and avoidance, either because numbers of penalties in any year are less than five, and HMRC regards disclosing the actual number might identify a penalised party; or on the grounds that publicising the numbers or value of penalties might prejudice the effective collection of tax (presumably because disclosure would demonstrate that the use of certain powers and penalties is extremely low).

Figure 21 shows information that TaxWatch has been able to obtain: it indicates that several key 'enablers' penalties are still only being used sporadically. The unusually large number of penalties for enablers of defeated tax avoidance in 2024-25 is presumably because HMRC has to defeat schemes in tribunal before their promoters can be penalised. Nonetheless these 180 penalties may actually mask a much smaller number of penalised enablers: at an average penalty of less than £10,000 each, it seems likely that HMRC is separately counting multiple penalties issued to the same scheme promoter (the legislation permits an enabler to be penalised for each taxpayer who entered into the defeated avoidance scheme). It is difficult to know, therefore, whether a large number of scheme promoters are receiving small penalties that are unlikely to be dissuasive, given five- or six-figure fees from a scheme; or whether just a handful of promoters have actually been penalised at all.

It appears that 'procedural' penalties can generate much larger penalties: avoidance promoters failing to abide by obligations under the POTAS regime (to disclose details of their schemes and clients to HMRC, and inform their clients that they are a 'monitored' promoter) were penalised 21 times in 2022-23, with an average penalty of nearly £2 million each. Their use, however, also remains sporadic.

Figure 22: Use of certain civil penalties and criminal offences against enablers of tax avoidance or evasion

Sources: TaxWatch Freedom of Information requests, 2025; letter from HMRC to the Public Accounts Committee, 26 June 2025

Offence	Year/legislation introduced	2021-22	2022-23	2023-24	2024-25
Penalties for enablers of defeated tax avoidance	<i>S. 65 and Schedule 16 Finance (No 2) Act 2017</i>	Penalties: 0 Average fine: 0	Penalties: <5 Average fine: ?	Penalties: <5 Average fine: ?	Penalties: 180 Average fine: £9055
Failure to comply with promoters of tax avoidance schemes (POTAS) obligations	<i>Schedule 35, Finance Act 2014</i>	Penalties: 0 Average fine: 0	Penalties: 21 Average fine: £1.96m	Penalties: 0 Average fine: 0	Penalties: <5 Average fine: ?
Corporate offence of failure to prevent (FTP) tax evasion	<i>S. 45 and 46, Criminal Finances Act 2017</i>	0	0	0	0* (first charge brought August 2025, trial scheduled for 2027)
Dishonest conduct by tax agent	<i>Schedule 38, Finance Act 2012</i>	0	0	<5	0
Enabling offshore tax evasion	<i>Schedule 20, Finance Act 2016</i>	0	0	0	0

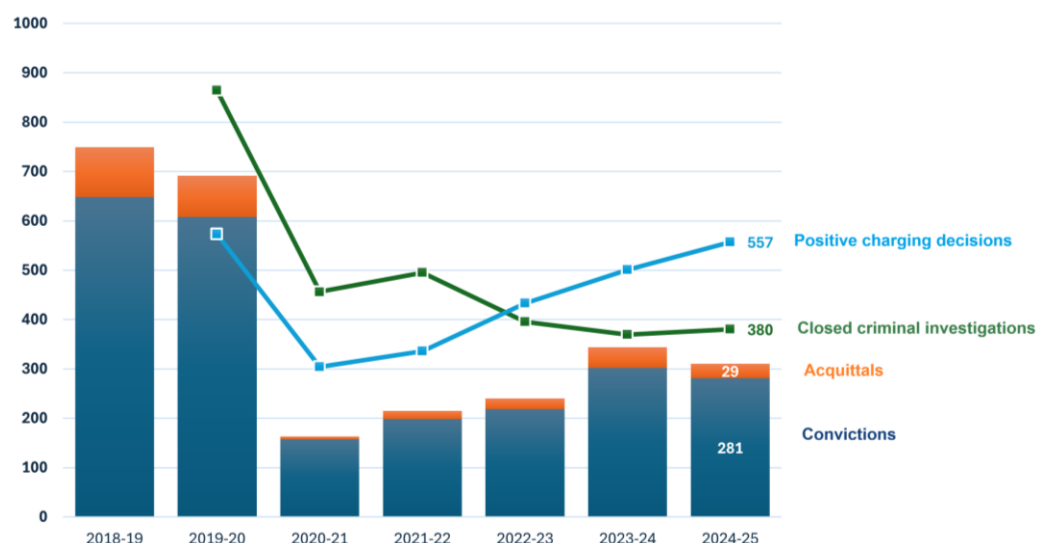
Criminal prosecutions

The number of criminal prosecutions by HMRC fell slightly in 2024-25 compared to the previous year. Prosecutions are still less than half the number annually pre-pandemic (Figure 23). Though positive charging decisions are rising - from 304 in 2020-21 to 557 in 2024-25⁹⁴ - taxpayers are still very unlikely to be prosecuted by HMRC.

If they are prosecuted, however, they are very likely to be convicted: conviction rates have been between 87 and 96 percent since 2011-12, and were 91 percent in 2024-25. This is significantly higher than the Crown Prosecution Service average across all crimes (83.1 percent in 2024-25).⁹⁵

Figure 23: HMRC criminal investigations, charging decisions, prosecutions and convictions, 2019-20 to 2024-25

Sources: HMRC Annual Report and Accounts, 2019-20 to 2024-25; National Audit Office, *Managing Tax Compliance following the pandemic* (Session 2022-23, 16 December 2022, HC957); HMRC quarterly performance statistics, 2019-20 to 2024-25



HMRC previously abandoned its ‘volume crime’ approach of targets for the number of prosecutions in particular areas. (In 2016-17, for instance, it set a target of reaching 100 prosecutions of serious and complex tax crimes cases per year by 2020-21. It reported this figure only once, for 2018-19, when it reported 42 prosecutions of such crimes).⁹⁶ However, as part of the 2025 Spring Statement announcements it has now returned to a similar target, promising an increase in charging decisions of “the most harmful fraud” from 500 to 600 per year by 2029-30.⁹⁷ Given that this is around the same number as all of HMRC’s positive charging decisions in 2024-25, there is some way to go.

Tackling Offshore Non-Compliance

Enforcing tax compliance involving foreign assets and gains poses inherent difficulties of information, jurisdiction and complexity. HMRC uses a mix of civil and criminal enforcement, though recent trends show a cautious approach. Offshore cases are often handled within HMRC’s mainstream compliance teams (for example, Wealthy, Large Business) rather than by separate units, making it difficult to measure the resources devoted solely to offshore enforcement.

Offshore Compliance Human Resources

HMRC estimates that around 643 full-time equivalent staff are in teams dedicated to offshore risk in 2023-24, up from 586 in 2019-20.⁹⁸ This increase is almost entirely due to the number of offshore-dedicated staff in the Risk and Intelligence Service (RIS), which generates leads and data for other compliance departments (Figure 24). The number of offshore-dedicated staff the Fraud Investigation Service - the department that actually investigates tax fraud - has decreased by nearly 10 percent over the last five years (Figure 24). These figures do not include investigators in taxpayer-specific directorates who are tackling cases that have both onshore and offshore elements as part of HMRC’s “integrated approach”.

HMRC intends to boost this offshore compliance capacity. In April 2025 it created a new “complex offshore” team within its Wealthy unit, reflecting a renewed focus on sophisticated offshore evasion. At the Autumn Budget 2024 and Spring Statement 2025, the government also boosted HMRC’s compliance budget - funding 5,500 additional compliance staff by 2029-30 - including 400 new personnel focused on wealthy offshore cases which the government expects to bring in £500 million during this Parliament.⁹⁹

Figure 24: HMRC staff dedicated to offshore risks and compliance

Source: HMRC response to TaxWatch Freedom of Information request, 14 August 2025

Directorate	2019-20	2020-21	2021-22	2022-23	2023-24
Fraud Investigation Service (FIS)	400	370	366	367	365
Individuals and Small Business Compliance (ISBC)	0	0	14	13	11
Risk & Intelligence (RIS)	186	233	257	258	267
TOTAL	586	603	637	638	643

Offshore Tax Compliance Investigations

As shown above (Figure 22), the post-Panama Papers penalty on enabling offshore tax evasion has so far never been used. The mid-2010s also saw the introduction of new penalties for taxpayers themselves who evade tax on

offshore income or gains, or fail to disclose them to HMRC. Their use has also been spotty (Figure 25).

Penalties for deliberate acts of non-compliance, such as deliberately moving offshore assets to obstruct tax investigations, are relatively rare, and relatively small (around 350 penalties over the last seven years, averaging around £1,400 each).

By contrast, most offshore-related penalties appear to be generated not through the newer, headline-grabbing offshore penalty regimes, but through ordinary compliance casework, using standard civil penalties with offshore uplifts for serious cases. There have been around 6000 such ‘offshore multiplied’ penalties since 2018-19, averaging around £6,300 each.

In some cases, HMRC does not centrally track the use of its new offences and penalty regimes to tackle offshore non-compliance, making it difficult or impossible for Parliament or the public to know how much they are being used. For example, the centrepiece of post-Panama Papers criminal measures against offshore tax evasion was the strict liability criminal offence introduced in Finance Act 2016 for taxpayers failing to report offshore income or gains of over £25,000. HMRC does not hold central records of how often, or indeed whether, any charges or prosecutions have taken place under this offence since its introduction.¹⁰⁰ In other cases, HMRC has argued that releasing information about the number of times particular penalties had been applied or offences charged would “*prejudice the assessment or collection of tax*”¹⁰¹ – an effect which is difficult to understand unless offenders knowing how rarely the penalties and offences are applied would significantly reduce their deterrent effect.

Figure 25: Use of taxpayer penalties for offshore tax non-compliance or non-disclosure

Source: Letter from HMRC to the Public Accounts Committee, 26 June 2025

Offence	Introducing legislation	Use from 2018-19 to 2024-25
“Failure to correct” pre-2016 offshore non-compliance	<i>Schedule 18, Finance (No.2) Act 2017</i>	Penalties: c. 2500 Average fine: c. £36,000
Deliberately moving offshore assets to obstruct tax compliance	<i>Schedule 21, Finance Act 2015</i>	Penalties: c. 350 Average fine: c. £1,400
Failure to notify tax liabilities or make tax returns regarding offshore income or gains (i.e. ‘offshore multiplier’ to standard penalties)	<i>Schedule 24, Finance Act 2007</i> <i>Schedule 41, Finance Act 2008</i> <i>Schedule 55, Finance Act 2009</i>	Penalties: c. 6000 Average fine: c. £6,300

Even within an effective system, relatively small numbers of penalties and offences for offshore non-compliance in any one year is not unexpected. Offshore tax compliance investigations are inherently complex and protracted. Investigators may have to trace funds through a web of offshore tax havens, shell companies, and trusts – sometimes spanning multiple jurisdictions and decades. Gathering evidence requires extensive international cooperation and navigating different legal systems, making these inquiries lengthy and intricate. High-net-worth individuals suspected of hiding assets overseas also tend to employ sophisticated advisers and may be uncooperative, forcing HMRC to use both civil and criminal enforcement tools to uncover the full picture. As a result, pursuing offshore tax evasion cases can take many years of forensic work before reaching a conclusion.

One illustrative case is HMRC’s decade-long investigation of former Formula One executive Bernie Ecclestone’s offshore finances. HMRC began a civil inquiry in 2012 into undeclared overseas assets and initially offered

Ecclestone a chance to come clean via a Contractual Disclosure Facility (a civil disclosure process). However, he misled investigators by denying any role in offshore trusts - claims later disproven by information from Singapore authorities that revealed a concealed trust holding about £416 million in assets (funds that had been moved from Switzerland to Singapore). His lack of cooperation escalated the matter into a criminal fraud case, which spanned multiple countries and required years of evidence-gathering.¹⁰² In 2023, Ecclestone ultimately pleaded guilty to fraud by false representation and agreed to pay £652 million to settle his tax liabilities, covering back taxes, interest, and a hefty 200 percent “Failure to Correct” penalty for the offshore non-compliance. This outcome, alongside a suspended 17-month prison sentence, highlights how complex and worldwide these enforcement efforts can be.¹⁰³

Offshore tax evasion is not always so complex to detect and prosecute, however. HMRC’s 2024-25 annual report highlights the July 2024 conviction of two property developers, brothers Michael and Stephen Hirst, who were sentenced to two-year suspended sentences and disqualified as company directors after being found guilty of evading £3.2 million in capital gains tax on the sale of land in Yorkshire.^{104 105} The brothers had purchased the land in 1999 via a UK company that they owned, and then sold some of it at an artificially low price to another company registered in Gibraltar which they owned via a second, BVI-registered company of the same name. When the land was sold in March 2007 for over ten times its purchase price, the brothers failed to declare their beneficial ownership of the gains accruing to the Gibraltar company.¹⁰⁶

It is clear that HMRC was able to establish the brothers’ beneficial ownership of the Gibraltar company to which the gains accrued, because the (identically-named) BVI company that owned its shares appeared in the Panama Papers leak in 2016, with the two brothers named online in the searchable Panama Papers database as the company’s shareholders and beneficiaries.¹⁰⁷ At the time of the land sale, prior to improvements in the disclosure of beneficial ownership information in the UK Overseas Territories, the ownership of the Gibraltar and BVI companies could not be formally known. Nonetheless both the Gibraltar company and the BVI company that the brothers denied being connected to had the same name¹⁰⁸ - and from 2011 onwards the brothers were on UK public record as the directors of an identically-named UK company, with other family members as the shareholders.¹⁰⁹

This is not to diminish the achievements of the case: online leaks and companies with identical names rarely by themselves constitute court-ready proof of ownership of companies and assets. Likewise we do not know whether it was the Panama Papers leak or a different source that initially prompted this investigation. Nonetheless it is clear that both UK public records and offshore leaks greatly facilitated the investigation of this case, which HMRC has promoted as one of its most significant in 2024-25.

2. IMPROVING DAY-TO-DAY PERFORMANCE AND CUSTOMER EXPERIENCE

In 2024-25 HMRC reported an overall customer satisfaction rate of 79.7 percent, just shy of its 80 percent target and up slightly from the 2023-24 figure of 78.6 percent.¹¹⁰ This metric includes digital, phone, and webchat interactions, and masks much lower satisfaction specifically with phone-based dealings (47.5 percent).¹¹¹ In May 2024, the Chartered Institute of Taxation (CIOT) said that “*HMRC’s service levels continue to be the single greatest concern expressed by our members*”.¹¹² These relatively high satisfaction figures also mask much lower rates of satisfaction amongst individuals - amongst whom just 52 percent reported a good or very good experience in 2024, the lowest level in eight years (Section 2.2 below).

HMRC user surveys show that taxpayers who rely solely on online services rate their experience more positively than those who must resort to telephoning or writing to HMRC (Figure 27). Yet online service gaps are still driving taxpayers back to the phone lines: 20 percent of those ending up on the phone to HMRC say they did so because they tried but could not solve their problem online, and 22 percent because the information online was unclear (Figure 30).

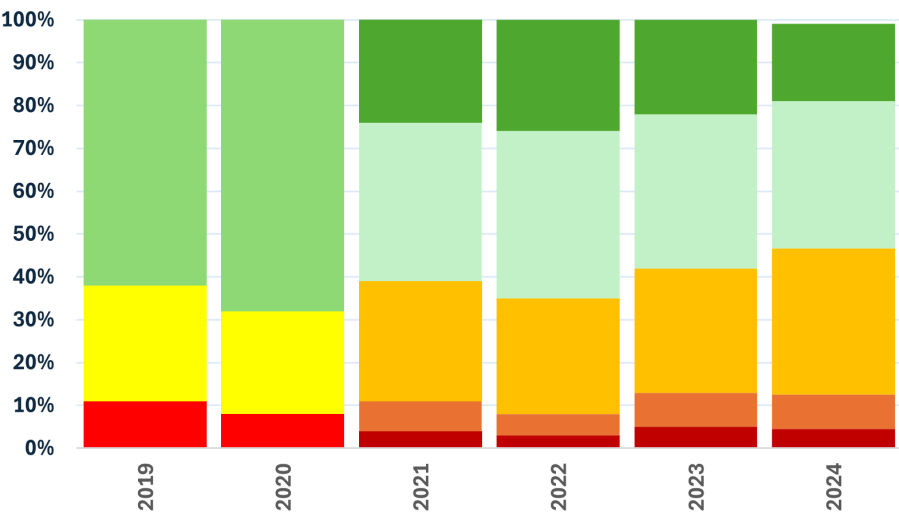
Notably, the department’s push toward digital “self-serve” options - Making Tax Digital (MTD) and online accounts - has not yet delivered the hoped-for improvements in customer experience. Positive ratings declined across a range of measures in 2024, according to HMRC’s latest annual customer survey. This was true for all key taxpayer groups (individual taxpayers, small businesses, and tax agents): each saw significant drops in positive experience ratings and upticks in negatives.

Large businesses - around 2,000 of the largest UK corporate taxpayers, each assigned to a senior compliance staff member (their Customer Compliance Manager) - were the only category of taxpayer whose satisfaction levels are high and rising.

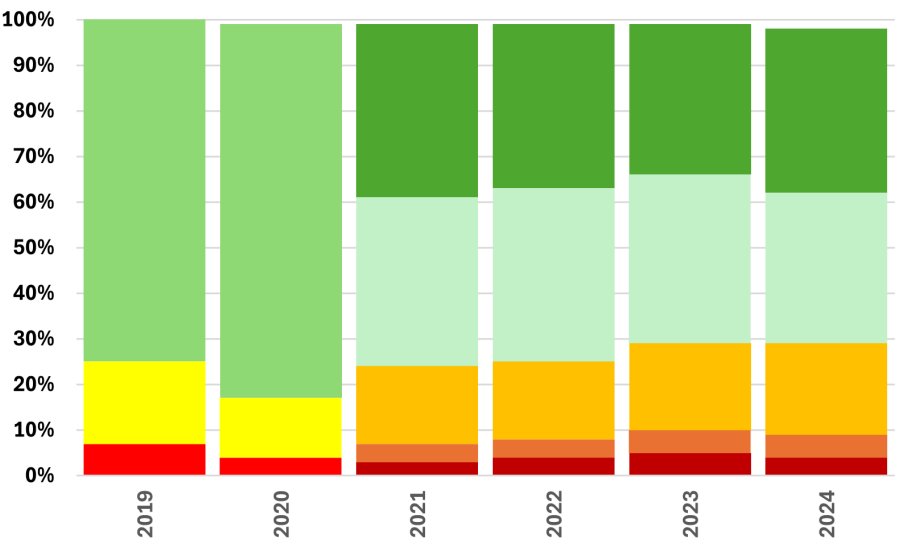
Figure 26: Individuals, small business and large business overall rating of contact with HMRC and by contact method (bottom), 2018-24

Sources: HMRC Individuals Customer Experience and Perceptions Survey 2018-24; HMRC Agents, Small and Mid-Sized Businesses Customer Survey 2018-24; HMRC Large Business Customer Survey 2018-24.
 Note: before 2021, the individuals and small businesses survey results were published on a three-point scale only ('negative', 'neutral', 'positive'). Figures do not always sum to 100% due to 'don't know' or other non-selecting categories.

Individuals



Small businesses



Large businesses

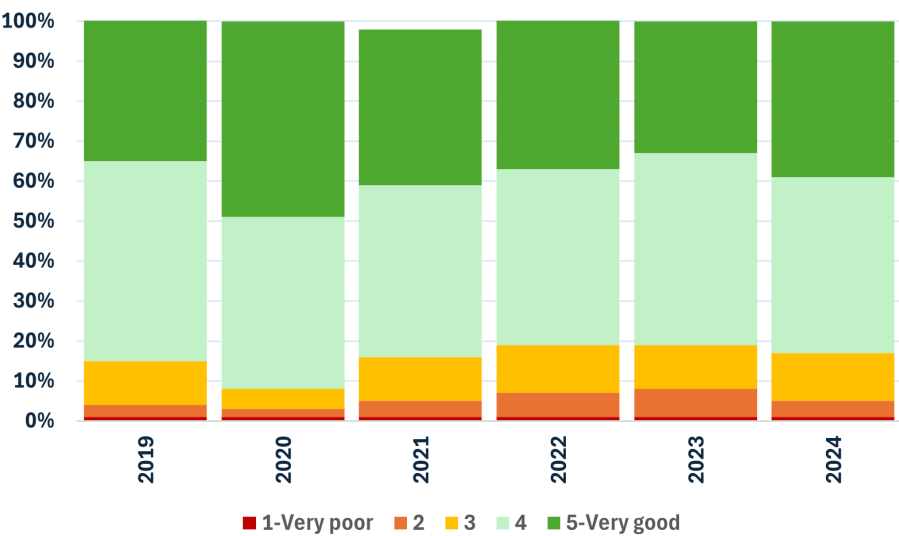
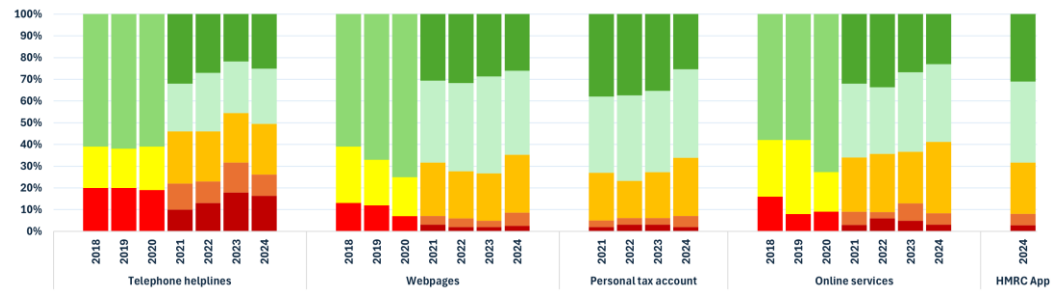


Figure 27: Individuals and small business rating of contact with HMRC by contact method, 2018-24

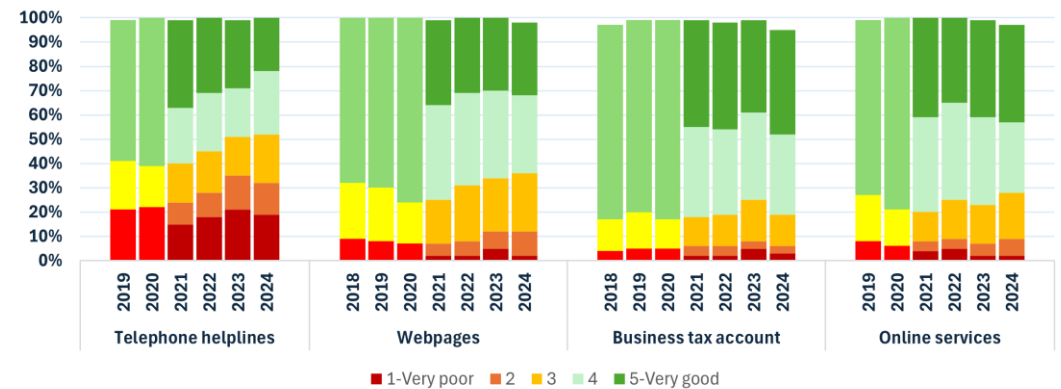
Sources: HMRC Individuals Customer Experience and Perceptions Survey 2018-24; HMRC Agents, Small and Mid-Sized Businesses Customer Survey 2018-24.

Note: the large business survey does not measure the same categories of contact satisfaction, so is not included here. Figures do not always sum to 100 percent due to 'don't know' or other non-selecting categories.

Individuals



Small businesses



2.1 Communicating with HMRC: Telephone, post, online

As HMRC services have moved online, call volumes have fallen dramatically: from nearly 61 million calls in 2015-16 to around 33.5 million in 2024-25, 3.3 million fewer calls than a year earlier.¹¹³ Despite falling call volumes, waiting times and handling failures have rocketed over this period. The NAO concluded in 2024 that HMRC's telephone service "is not delivering".¹¹⁴

During 2024-25, HMRC appears to have reversed its previous approach to telephony, which had treated taxpayer telephone calls like traffic on roads, assuming that increasing supply simply generates more demand. Its 2023 and 2024 experiments with restricting or closing telephone lines for particular taxpayer groups have been reversed, including a planned six-month closure of helplines for all self-assessment taxpayers which HMRC reversed a day after the announcement in March 2024.¹¹⁵ Instead, in May 2024, the government injected an emergency £51 million funding boost to help HMRC staff its helplines and answer correspondence.¹¹⁶

This appears to have contributed to some improvements in late 2024-25. Average call waiting times fell for the first time since 2016-17, from 23m14s to 18m38s, but are still far above the call waiting times of the 2010s when HMRC received nearly double the volume of calls (Figure 28).¹¹⁷ In 2024-25 taxpayers and their agents still spent over 1,186 years collectively waiting on the phone to HMRC.¹¹⁸ Nearly 20 percent of calls trying to get through to an HMRC adviser - some 6.5 million calls - did not get answered (an improvement from 2023-24, when nearly 30 percent of calls were not answered, but still well above HMRC's modest target of 15 percent of calls unanswered).¹¹⁹

Figure 28: HMRC telephone call volumes and average call waiting times, 2015-16 to 2024-25

Source: HMRC Monthly Performance statistics, various years

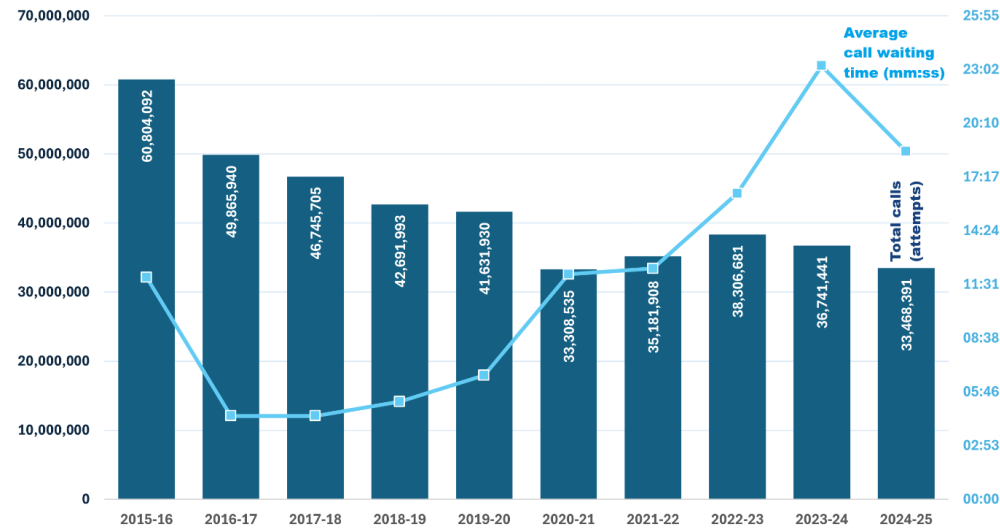
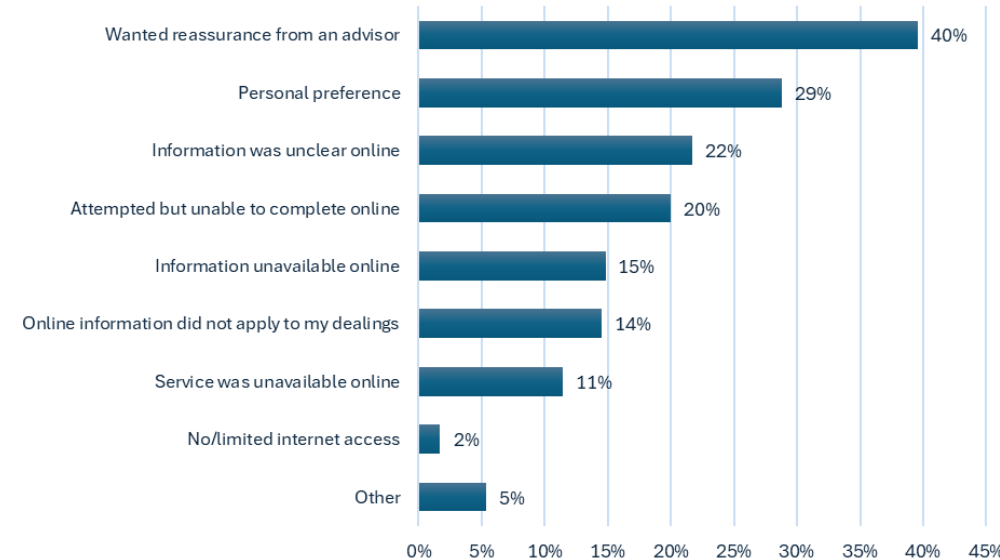


Figure 29: Why did individuals choose to contact HMRC by telephone in 2024?

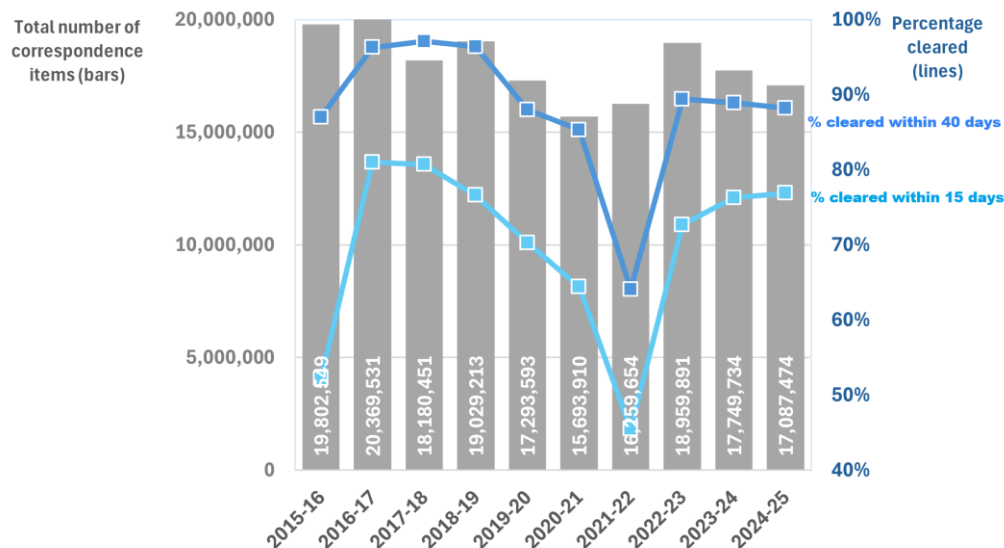
Source: HMRC Individuals Customer Experience and Perception Survey 2024 Table T12



The volume of taxpayers' and agents' hard-copy correspondence with HMRC is also falling (Figure 29), though more slowly than telephone calls. HMRC handled 17 million pieces of paper correspondence in 2024-25, as well as 3.4 million iForms. 76.9 percent were dealt with within 15 days, a figure which is rising but is still below pre-pandemic levels, and below HMRC's 80 percent target (Figure 30). 11.8 percent of correspondence took longer than 40 days to clear in 2024-25, up from 11.2 percent in 2023-24, and failing to meet HMRC's 5 percent target.

Figure 30: Paper correspondence with HMRC, 2015-16 to 2024-25

Source: HMRC Monthly Performance Statistics, various years. Note: bars are only paper correspondence; response percentage are paper correspondence plus iForms.



2.2 Customer satisfaction

Individuals

In 2018, 68 percent of individual customers reported a good overall experience with HMRC (Figure 26). In 2024, just 52 percent reported a good or very good experience: the lowest level in the last eight years.¹²⁰

Survey data suggests individuals' growing dissatisfaction is driven by unhappiness with the quality of customer service, but also a rise in perceived bad or unfair treatment:

- overall distrust in HMRC remains low and relatively unchanged at 20 percent (Figure 32), though positive trust has declined slightly in from 2023 (47 percent) to 2024 (44 percent);
- equally, those that believe positively that "*HMRC applies penalties and sanctions equally to all customers*" has declined sharply from 2021 (41 percent) to 2024 (27 percent), but those that disagree with this statement have also declined from 30 percent to 22 percent;
- while positive agreement with the statement "*HMRC treated me fairly*" has dropped from 71 percent (2021) to 61 percent (2024), those who believed they were treated unfairly stayed constant at around 7 percent;
- those reporting that HMRC made an error in their dealings with them also fell sharply in 2024, from 18 percent (2023) to 11 percent (2024).

However, the largest falls in positive customer experience ratings concern HMRC systems:

- in response to the question "*HMRC has systems that were good at preventing me from making mistakes*", positive responses have dropped from 47 percent (2021) to 33 percent (2024). Negative responses have also risen from 18 percent (2021) to 22 percent (2024);
- positive ratings for "*ease of finding information*" and "*quality of information provided*" have dropped from 53 percent and 60 percent respectively in 2021, to 48 percent and 52 percent respectively.

Figure 31: Selected individuals' customer experience metrics, 2021-24

Source: HMRC individuals' customer survey, 2021 to 2024. Note: responses for "HMRC made an error in its dealings with me" were only "Yes" (red), "No" (green) or "Don't know" (yellow). This question was not reported in 2022.

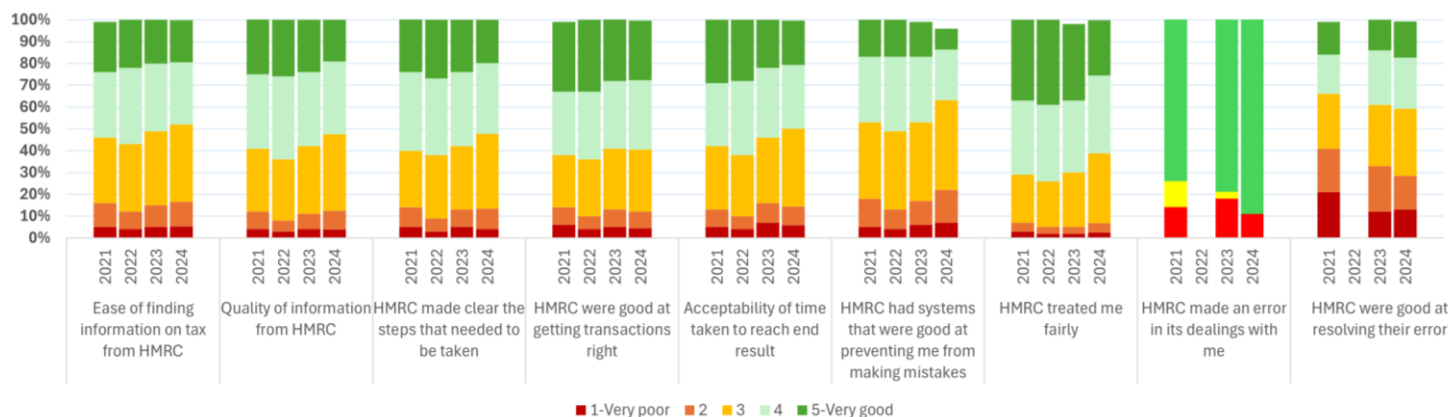
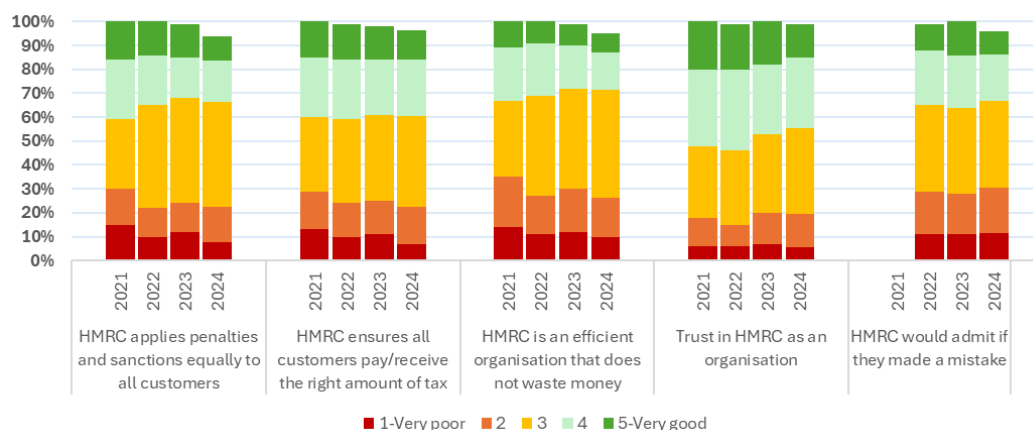


Figure 32: Selected individuals' trust metrics, 2021-24

Source: HMRC individuals' customer survey, 2021 to 2024. Note: the question "HMRC would admit if they made a mistake" was not reported in 2021. The percentages reported in the HMRC customer surveys do not always sum to 100 percent.



Small Businesses

About two-thirds (68 percent) of small businesses rated their overall experience with HMRC as good in 2024, only a slight dip from 70 percent in the previous year, and consistent with recent years (Figure 33). In contrast to individuals, small business customer experience metrics have not significantly worsened over the past four years (Figure 31). Small businesses' experience of HMRC resolving its own errors is significantly worse than other measures of customer experience, but not worsening over time. Small businesses trust in HMRC is much higher than that of individuals, though confidence in HMRC's efficiency as an organisation is low and worsening (Figure 34).

Figure 33: Selected small business customer experience metrics, 2021 to 2024

Source: HMRC Agents, Small and Mid-Sized Businesses Customer Survey, 2021-24. Note: responses for “HMRC made an error in its dealings with my business” were only “Yes” (red), “No” (green) or “Don’t know” (yellow). This question and ‘HMRC were good at resolving their error’ were not reported in 2022.

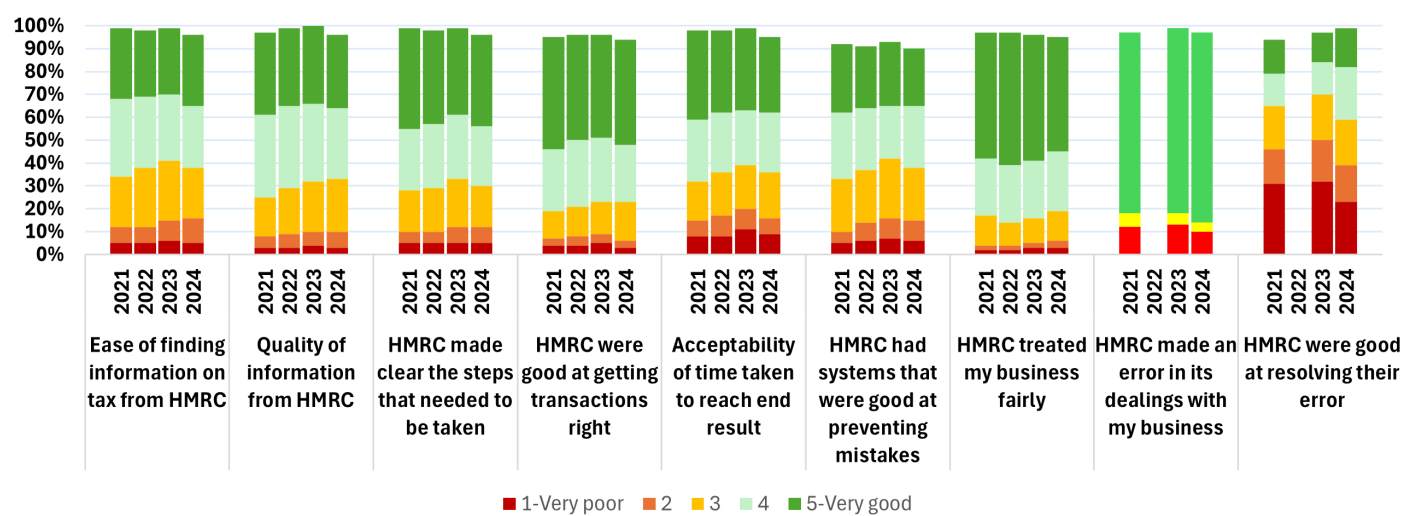
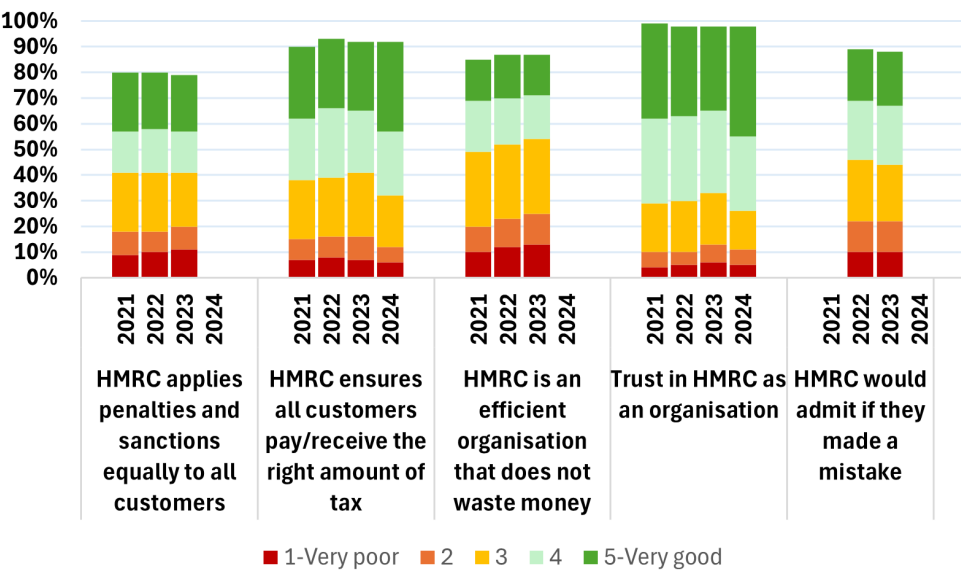


Figure 34: Selected small business trust metrics, 2021 to 2024

Source: HMRC Agents, Small and Mid-Sized Businesses Customer Survey, 2021-24. Note: some questions were not reported in some years.



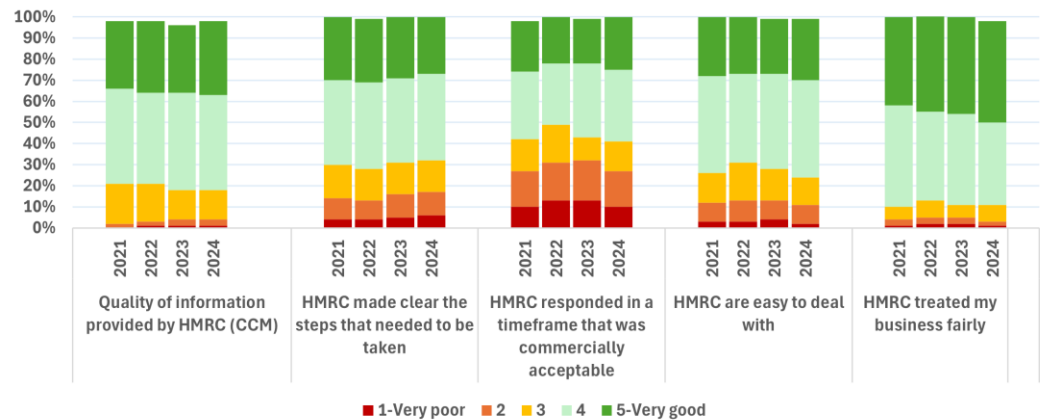
Large Businesses

82 percent of large business respondents rated their overall experience of dealing with HMRC as good in 2024. This level is much higher than for small businesses or individuals, has changed little over four years, and (unlike satisfaction levels of individuals) is not significantly worse than prior to the pandemic (Figure 26). Customer survey results suggest this enduring satisfaction stems from factors like easier dealings and perceived competence

in HMRC's treatment of large businesses (Figure 35), while qualitative feedback indicates that many large firms describe their relationship with HMRC as "open" and "collaborative".¹²¹ Notably, confidence about being treated fairly by HMRC is much higher for this elite group of 2000 large businesses than other customer groups: 87 percent of large businesses agreed or strongly agreed that HMRC had treated them fairly, compared to 76 percent of small businesses and just 61 percent of individuals.

Figure 35: Large business customer experience metrics, 2021 to 2024

Source: HMRC Large Businesses Customer Survey, 2021-24



2.3 Complaints

HMRC customer complaints continue to increase, and at every level more complaints are being upheld (Figure 36). In 2024-25:

- 93,589 initial complaints (Tier 1) were made: a 1.5 percent increase from 2023-24, and a 42 percent increase from 2019-20. 49 percent of complaints at this level were fully or partially upheld.
- 5,095 complainants asked for their complaints to be re-reviewed (Tier 2): a 12 percent decrease from 2023-24, but still up 15 percent compared to 2019-20. Over half (54 percent) of complaints at this level were fully or partially upheld.
- 1,273 complaints were referred beyond this appeal to the independent Adjudicators' Office: up 22 percent from 2023-24, and a 37 percent increase since 2019-20. Over 35 percent of complaints referred to the Adjudicator's Office were upheld.

Customer complaints may cover dissatisfaction with various aspects of customer service, or with other aspects of how HMRC has handled a taxpayer.¹²² They are distinct from dispute resolution mechanisms over a taxpayer's tax liabilities, such as statutory reviews or alternative dispute resolution (see above Section 1.6).

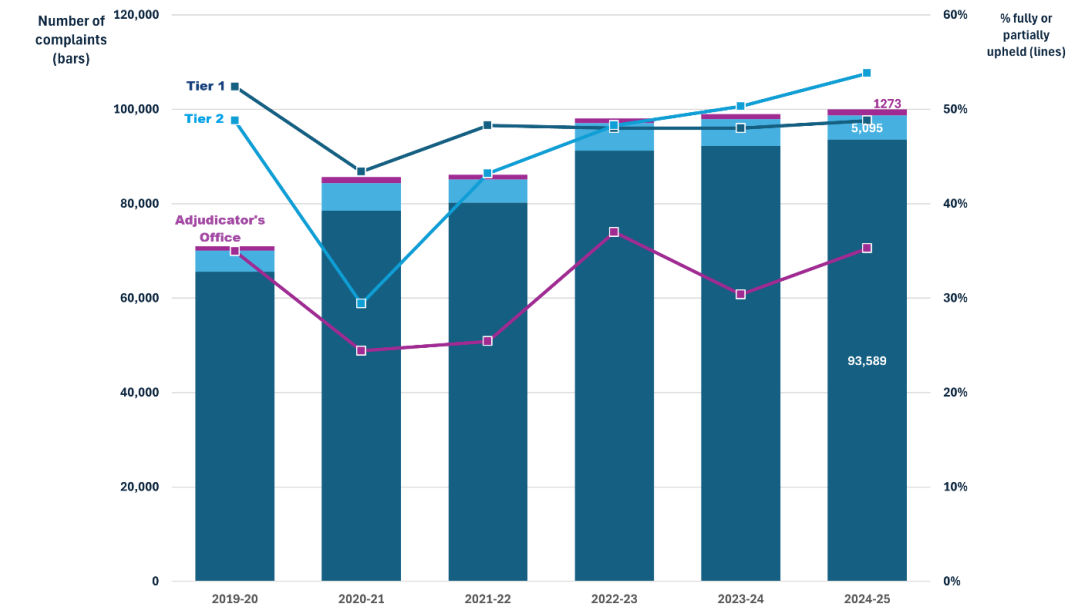
HMRC does not disaggregate complaints statistics according to their type or subject, so it is difficult to understand what is driving the rise. Rising complaints do not track the proportion of survey respondents reporting that HMRC had made an error in their dealings with them, which has been declining and fell sharply from 2023 to 2024, as described above. It is possible that a significant number of individuals' complaints are about inadequacies or perceived mistakes made by or because of HMRC's systems: the proportion of individual respondents who believed HMRC's systems prevented mistakes has declined over time and fell sharply from 46 percent in 2023 to 33 percent

in 2024.¹²³ Dissatisfaction with the time taken to resolve problems, and with the quality of HMRC information, are also rising amongst all taxpayer groups except large businesses (Figures 31, 33).

From the business/agent perspective, complaints are likely to cluster around HMRC's accuracy in transactions and assessments.

Figure 36: HMRC complaints received, and proportion of investigated complaints upheld, 2019-20 to 2024-25

Sources: HMRC monthly performance statistics; Adjudicators' Office annual reports, 2019-20 to 2024-25



3. REFORM AND MODERNISATION OF TAX AND CUSTOMS ADMINISTRATION

HMRC's 2025 Transformation Roadmap envisages that by 2030, "*HMRC will be an agile department which is supported by a modern IT infrastructure, uses innovative technology and AI, and has robust data capabilities and a highly skilled workforce*". Though there are few clear, quantitative targets in the document, HMRC promises pre-populated tax returns from third-party sources like banks; a revolution in how taxpayers file tax returns and interact with HMRC via Making Tax Digital (MTD); and the ability to share data better across government.¹²⁴

Delivering this vision will be have to overcome the reality that HMRC has a raft of legacy administrative and IT systems, operated by an increasingly top-heavy staff, and with significant uncertainty about the cost and delivery timeline of its biggest transformation projects.

These departmental challenges are not unique to HMRC - though staff turnover remains significantly above the Civil Service average. Nonetheless HMRC's funding settlement at the 2025 Comprehensive Spending Review will exacerbate pressures. Although viewed as a comparative winner, with a 0.7 percent annual increase in day-to-day spending to 2028-29, this is below the 2025 Civil Service pay deal, suggesting that future pay rises could lead to headcount cuts.¹²⁵ The recruitment for new HMRC compliance staff and debt management staff promised at Budget 2024 and Spring Statement 2025 is already below target (Figure 49).

And though the Spring Statement 2025 promised an additional £500 million for HMRC's digital transformation, improving legacy systems will not be helped overall by a 24 percent annual cut in its capital spending to 2029-30, by far the deepest departmental capital spending cut of any department at Spring Statement 2025.¹²⁶ (Some new IT systems may be fundable from recurrent spending as software-as-a-service).¹²⁷

3.1 Expenditure

HMRC spending increased by 2.7 percent year-on-year in 2024-25 (Figure 37), with most of the £150 million extra spending going to compliance functions. Large Brexit- and pandemic-related spending increases of recent years are now slowing. Spending in customer service functions fell in 2024-25 after significant increases in the previous three years. Spending on Digital and Information fell for the second year in a row, perhaps surprisingly given the ongoing burdens of Making Tax Digital and legacy IT systems, though this category had seen double-digit growth in 2020-21 and 2022-23.

Figure 37: Gross HMRC expenditure (nominal) by category, 2018-19 to 2024-25

Source: HMRC Annual Report and Accounts, various years

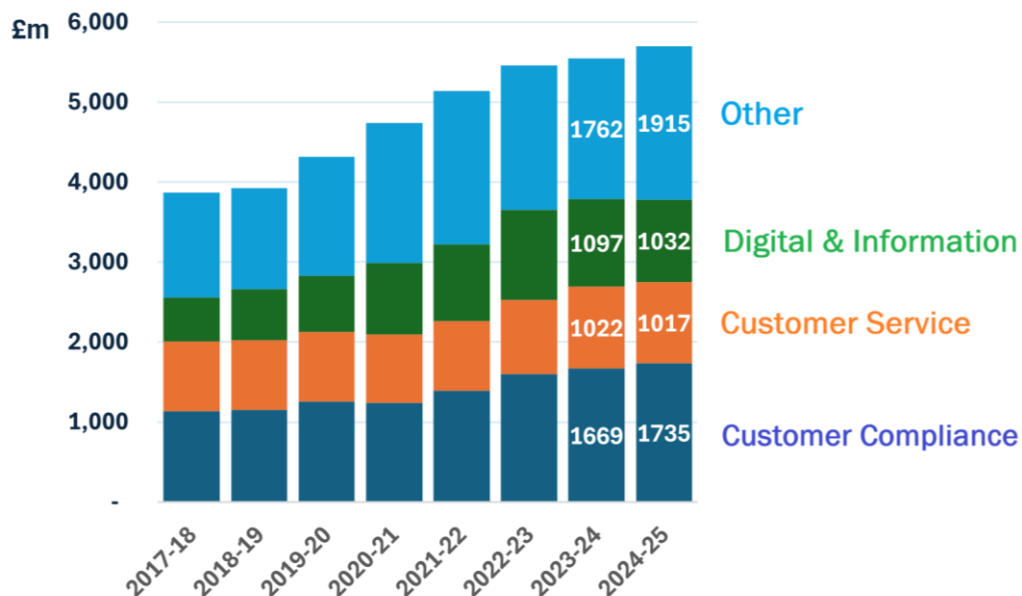
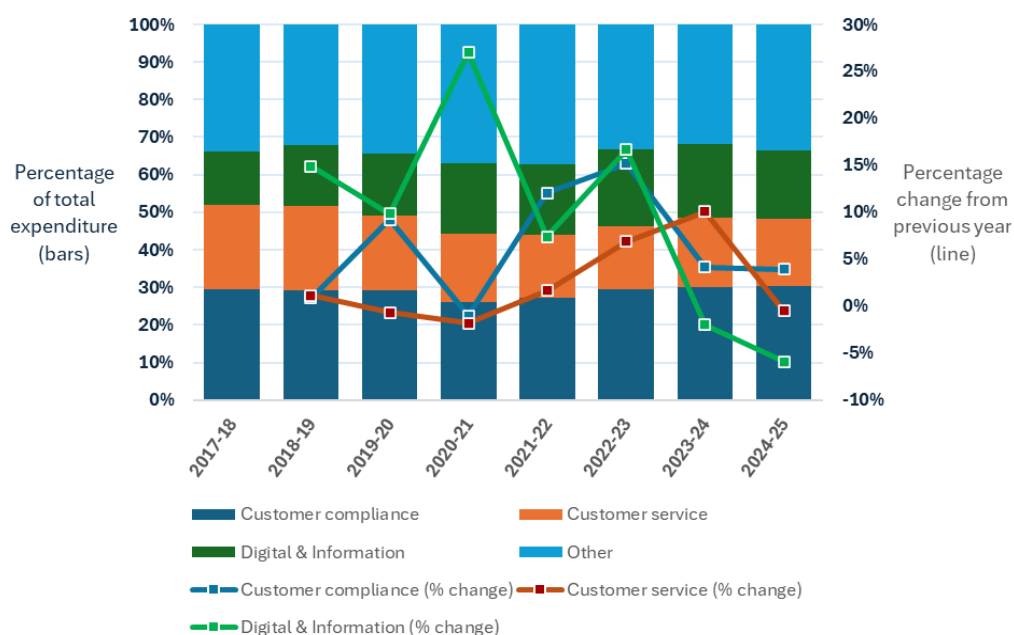


Figure 38: Expenditure categories by percentage of total, and percentage change from previous year

Source: HMRC Annual Report and Accounts, various years



3.2 Major infrastructure projects

HMRC currently has seven major modernisation projects large enough for inclusion on the UK's Government Major Project Portfolio (GMPP). This is down from thirteen in 2023-24, after a major spate of new projects in 2021-22 and 2022-23. According to information provided by the Treasury to TaxWatch, only two of these six projects (the Single Customer Account and the Technical Health Programme) left the GMPP because they have been successfully delivered against objectives.¹²⁸

HMRC's major projects currently have expected lifetime costs of £4.7 billion and expected monetary benefits of £6.9 billion.¹²⁹ Figure 39 shows the Delivery Confidence rating of these projects, as defined by the National Infrastructure & Service Transformation Authority (NISTA). All but one is

currently categorised as ‘amber’, meaning that “[s]uccessful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun”.^{130 131}

In most cases, Delivery Confidence ratings of HMRC major projects have improved over time, with the exception of the Building Our Future Locations Programme, a project launched nearly a decade ago in 2016 to rationalise HMRC’s estate by replacing around 170 offices with 13 Regional Centres, 5 Specialist Sites, and its London HQ.¹³² However, most major projects’ delivery dates (Figure 39) and lifetime costs (Figure 40) have slipped significantly over time.

Projected monetary benefits of these projects have also changed over time, most dramatically for the Make Tax Digital (MTD) Programme (see Box on MTD).

Figure 39: Delivery Confidence rating (colour) and projected end-date of HMRC Major Projects (month-year), by year of reporting, 2019-20 to 2024-25

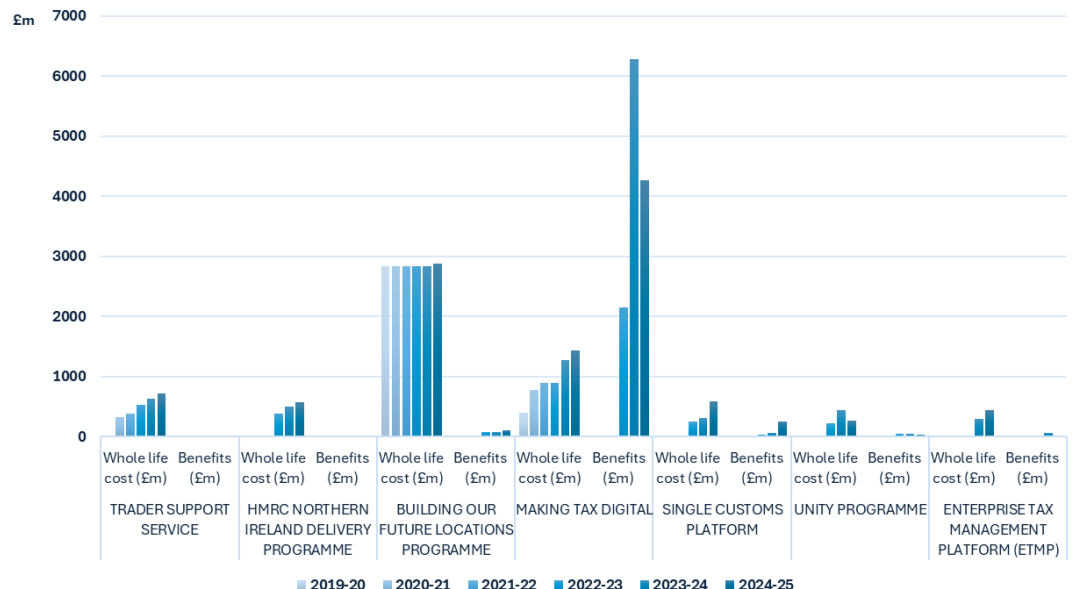
Source: NISTA, Government Major Project Portfolio data.
Note: The Delivery Confidence Assessment provides ratings on a five-point scale: green, amber/green, amber, amber/red, red.

	19-20	20-21	21-22	22-23	23-24	24-25
Building Our Future Locations Programme	Mar-26	Mar-26	Mar-26	Mar-26	Apr-31	Apr-31
Enterprise Tax Management Platform (ETMP)					Mar-30	Mar-30
HMRC Northern Ireland Programme				Mar-25	Mar-25	Mar-27
Making Tax Digital (MTD)	Mar-24	Mar-25	Apr-25	Mar-28	Mar-28	Mar-29
Pensions Programme				Mar-27	Mar-28	
Protect Connect		May-22	May-22	Sep-23	Sep-23	
Single Customer Account			Mar-26	Mar-26	Jun-25	
Single Customs Platform				Mar-26	Mar-25	Mar-27
Single Trade Window Programme			Mar-27	Mar-27	Mar-27	
Technical Health Programme			Jun-22	Mar-24	Mar-25	
Northern Ireland Trader Support Service		Dec-22	Dec-22	Dec-23	Dec-24	Jun-25
Unique Customer Record			Jul-26	May-24	Mar-25	
Unity Programme				Dec-26	Mar-27	Dec-25

Figure 40: Current HMRC Major Projects, costs and direct monetary benefits by year of reporting, 2019-20 to 2024-25

Source: NISTA, Government Major Project Portfolio data.

Note: The Delivery Confidence Assessment provides ratings on a five-point scale: green, amber/green, amber, amber/red, red.



Making Tax Digital

Making Tax Digital (MTD) is HMRC's decade-long project to move taxpayers to maintaining digital records, and submitting tax returns more frequently and *via compatible software*. MTD aims to "make it easier for taxpayers to get their tax right", reducing the tax gap caused by errors and carelessness.

MTD has been mandatory for VAT since April 2022 - though it does not appear immediately to have helped the estimated VAT tax gap, which rose from 5.9 percent of total VAT liabilities in 2021-22 to 7.8 percent of total VAT liabilities in 2022-23, a nominal increase of £4.7 billion.¹³³

MTD for Income Tax Self-Assessment (MTD for ITSA) will come into force in April 2026 for self-employed individuals and landlords with income over £50,000 - around 780,000 people; and in April 2027 for those with incomes over £30,000 - another 970,000 people. The government originally intended MTD to apply to corporation tax of small businesses too (MTD for CT), but HMRC's Transformation Roadmap announced in July 2025 that this would be scrapped.¹³⁴

MTD's projected lifetime costs have increased significantly from £885 million in 2022-23 to £1439 million in 2024-25. HMRC explains this increase primarily by longer expected roll-out times.¹³⁵

The expected monetary benefits of the Make Tax Digital (MTD) programme, though larger than any other HMRC major programme, are also much more prone to dramatic revision than any other programme. In 2023-24, HMRC nearly tripled MTD's projected benefits from £2.1 billion to £6.3 billion, which then shrunk back to £4.3 billion in 2024-25.¹³⁶ According to HMRC, nearly £2 billion of the 2023-24 uplift is due to changes in the tax gap methodology leading to a large increase in the amount of missing tax that MTD is expected to recover; and inflation leading to more taxpayers falling within the income thresholds that will require them to use MTD.¹³⁷ The other £2 billion of uplift is not explained in HMRC's latest project update to the Treasury.¹³⁸

HMRC provides three explanations for the dramatic 2024-25 reduction of expected MTD benefits: changes in the scope of taxpayers required to use MTD, probably the shelving of MTD for Corporation Tax; a reduction of the expected missing tax due to yet another change in the tax gap methodology;

and an increase in the estimated costs for businesses and landlords implementing MTD, some of which will be deductible against income tax.¹³⁹

This last explanation will only increase existing criticism that MTD is mainly about shifting costs from HMRC to individuals and businesses. In September 2025 Baroness Kramer, the Liberal Democrats' spokesperson on the Treasury and Economy, said that "*Making Tax Digital is not targeted at upskilling self-employed people and landlords; it is about cutting costs at HMRC.*"¹⁴⁰ HMRC's latest estimates suggest that self-employed individuals and landlords will incur initial costs averaging £320 each to comply with MTD for ITSA, a total of £561 million across the UK economy; as well as an average annual cost of £110 each (up from an estimated £35 in 2021),¹⁴¹ totalling £196 million annually.¹⁴² This £110 estimate seems very low, given that most compatible software costs at least £150 annually, according to one leading accountancy firm, even before factoring in the costs of many accountants' or individuals' hours of inputting data and preparing records, as well as the increased burden of preparing and submitting quarterly rather than annual returns.¹⁴³ (HMRC points out that there are some free or low-cost software options).

Taxpayer groups and tax practitioners are also concerned that MTD for ITSA will drive up non-compliance, at least initially; and put pressure on HMRC's customer departments which will have to respond to the inevitable spike in queries and complaints. This is perhaps inevitable whenever a major change in government systems takes place. Nonetheless the existing inadequacy of HMRC's customer-facing functions, especially telephone lines (Chapter 2 above), raise serious questions about whether HMRC is ready for this surge.

TaxWatch asked a range of tax and financial professional bodies, as well as accountancy firms with a focus on individuals and landlords, for their opinions about HMRC's and taxpayers' readiness for MTD for ITSA.

- Unrepresented taxpayers: the Chartered Institute of Taxation, the Association of Taxation Technicians, the Institute of Financial Accountants and the Low Income Taxation Reform Group all told TaxWatch they have concerns about taxpayers who did not have a tax adviser or accountant to produce their tax returns. Nearly 40 percent of self-assessment tax returns are filed by the taxpayer rather than an agent.¹⁴⁴ Most reported that significant numbers of sole traders without tax agents are still unaware of MTD obligations.

- New quarterly filings: Chartered Institute of Taxation, the Association of Taxation Technicians and the Low Income Taxation Reform Group all recommend "soft landings" for late filing penalties under MTD, especially around the first deadline for new quarterly filing obligations on 7 August 2026.

- HMRC IT preparedness: while voluntary MTD for ITSA has already started and will become mandatory in a little over six months' time, one specialist provider of software for landlords and letting agents told TaxWatch that software developers were still struggling to test their software against HMRC's systems that are still in testing phase themselves: "[HMRC's] *MTD APIs* [application programming interfaces] *are still not complete. Many of them are in a beta/test state. That's not the end of the world as long as they do not introduce late changes to them. So the sooner they reach a final state the better. What is more concerning is that their sandbox testing APIs are not truly "stateful" - i.e. they do not remember changes made by earlier calls in all cases. This means that the ability to test integrations is quite difficult, and, unless this changes, it will mean that the real testing will happen with real end user data, which is going to be awkward as there will be privacy concerns from users when we want to check whether all figures have been correctly*

calculated.”¹⁴⁵ TaxWatch understands from HMRC sources that APIs are projected to stay in BETA state for several years after MTD is introduced, in order to add features. HMRC sources also claimed that less than 20 percent of MTD APIs were not yet “stateful”, and that they had been tested in component, integration and end-to-end test environments.

An HMRC spokesperson said: “We continue to listen to and work with accounting software developers as we deliver the MTD project, which will ensure more customers get their tax right and help close the tax gap.”

3.3 Staffing: recruitment and retention

The number of full-time-equivalent (FTE) HMRC staff has continued to fall for the last three years, though it is still above pre-pandemic levels (Figure 41).

Figure 41: Total HMRC full-time-equivalent (FTE) staff, average during year

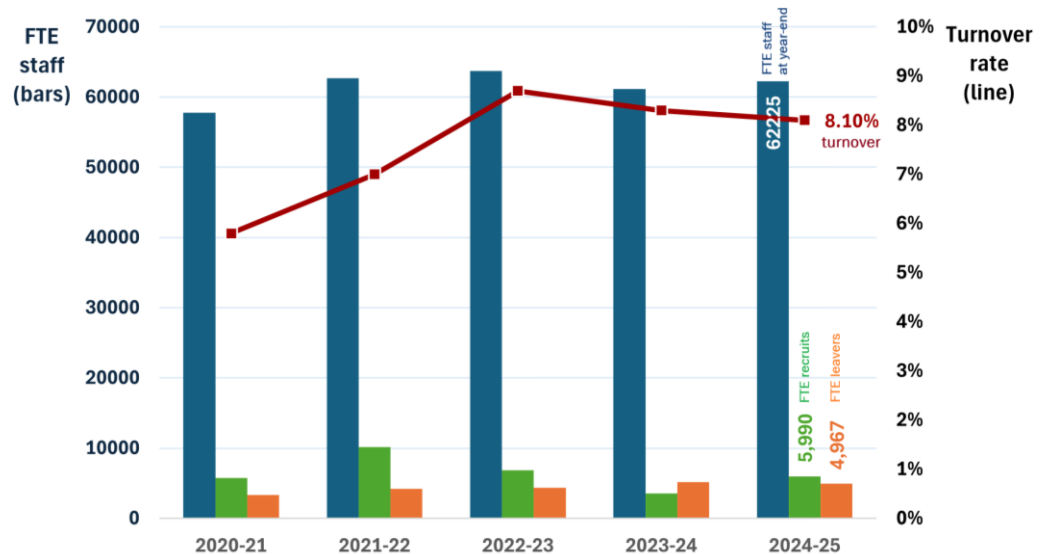
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Average FTE staff	60,216	57,304	58,454	57,727	59,395	63,233	62,174	61,138

Source: HMRC Annual Report and Accounts, various years; Note: figures exclude Valuation Office Agency (VOA).

HMRC’s turnover rate (8.1 percent) was slightly lower than in 2023-24, but is still above the Civil Service rate as a whole (7.1 percent). In 2024-25, 4,967 FTE employees left. Recruitment increased by over 45 percent in 2024-25 compared to 2023-24, but recruitment rates are still below 2021-23 levels (Figure 42).

Figure 42: Full-time-equivalent (FTE) HMRC staff at year-end (March), recruitment and leavers

Source: HMRC Annual Report and Accounts, various years; Civil Service Statistics, various years. Note: for consistency, these figure exclude the Valuation Office Agency (VOA), and contingent labour in both HMRC and VOA.



High turnover is baked into the current age and seniority structure of HMRC staff. As HMRC becomes more top-heavy and older, higher turnover is expected.

- Automation and a shift to online services have shrunk lower grades of HMRC’s staff pyramid (Figure 43). Higher grades (grade 6, grade 7 and higher/senior executive officers) have increased from 30 to 50 percent of HMRC’s staff over the last decade. This grade inflation is a pattern across the Civil Service, but is particularly pronounced in HMRC at senior and higher executive officer level (Figure 44).
- At the same time all Civil Service staff, including HMRC, are ageing. 60 percent of HMRC’s staff (by headcount) are over forty, and just 14 percent are under thirty.¹⁴⁶

The major new compliance recruitment effort announced in Autumn 2024 (below) is a significant effort to boost staff capacity and address this staff structure issue. Nonetheless retaining expertise - particularly critical for tackling non-compliance and fraud - is likely to become a growing issue for several more years as HMRC's higher-grade, older bulge retires; and before the new wave of recruits become operational and develop experience.

Figure 43: Percentage of HMRC FTE payroll staff by grade, 2013 to 2025

Source: Civil Service Statistics, various years (note, excludes Valuation Office Agency)

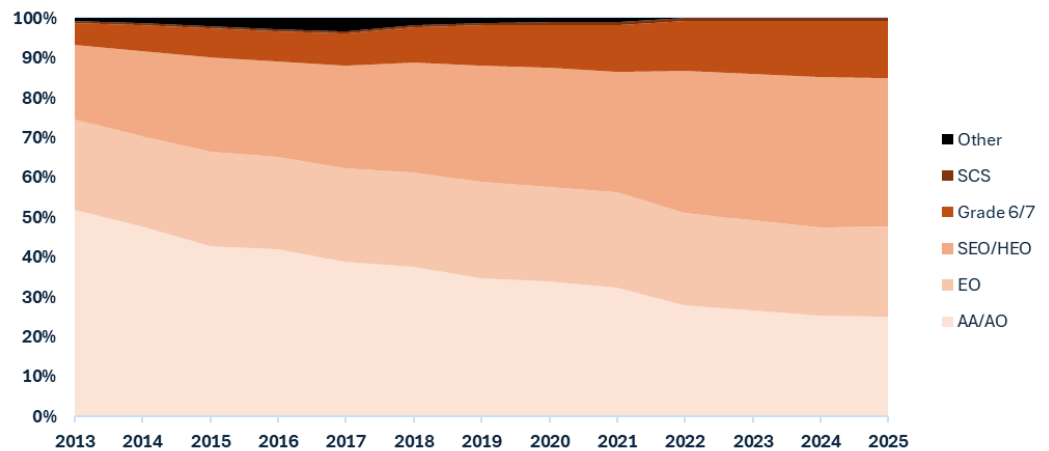


Figure 44: Percentage of HMRC and all Civil Service FTE payroll staff by grade, 2025

Source: Civil Service Statistics, various years

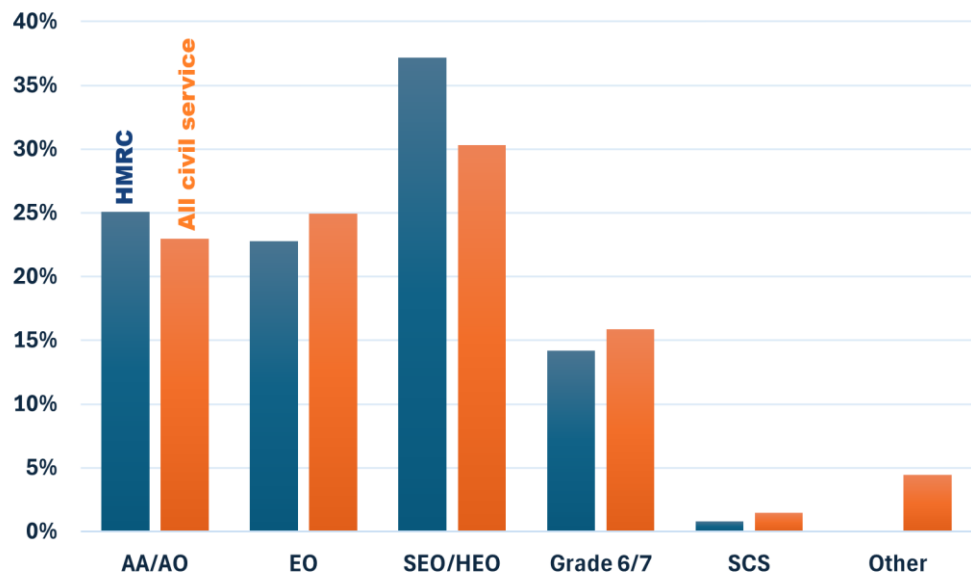
Key:

AA/AO = Administrative Assistant / Administrative Officer

EO = Executive Officer

SEO/HEO = Senior Executive Officer / Higher Executive Officer

SCS = Senior Civil Service

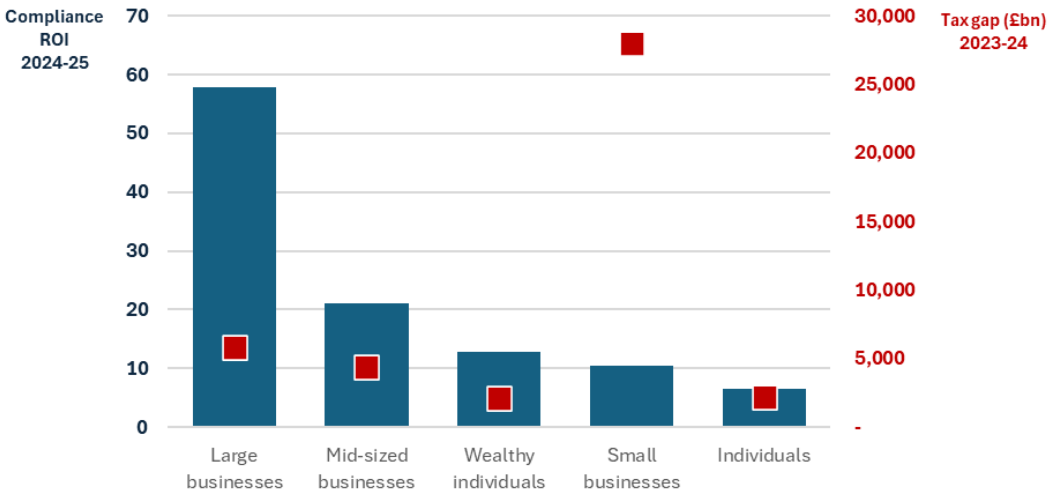


Effective staffing: compliance

One important question is whether staff structure matches HMRC's challenges and needs. This is complex to measure. Nonetheless for HMRC's staffing of its efforts against tax non-compliance there are at least two relevant metrics. We can compare the staffing levels of different taxpayer- and behaviour-specific units against HMRC's own assessment of the amounts of tax that go unpaid by these taxpayer groups or due to these behaviours (Figure 7 above). Equally, we can compare the staffing levels of different compliance areas against the 'return on investment' of compliance spend in those areas (compliance yield per pound of compliance spend) (Figure 45).

Figure 45: Return on Investment (ROI) on compliance spend (2024-25), and tax gap (2023-24), by taxpayer group

Sources: HMRC, *Measuring the Tax Gap 2025* edition; HMRC, *Tax by Different Customer Groups*, 2024-25.
 Note: 2023-24 is the latest year for which tax gap estimates are available.



How do these widely varying amounts of ‘missing tax’, and return on compliance investment, map to the staff dedicated to the compliance of different taxpayer groups? As Figure 47 shows, the number of compliance staff has grown within most of compliance function directorates from 2019-20 to 2023-24 (we do not have a 2024-25 breakdown). However, the proportion of compliance staff dedicated to each directorate has changed relatively little over this period (Figure 46).

Figure 46: Lines: Customer Compliance Group (CCG) staff by function (percentage of total CCG staff); bars: total number of FTE staff in CCG; 2019-20 to 2023-24

Source: HMRC response to TaxWatch Freedom of Information request, 2 July 2025

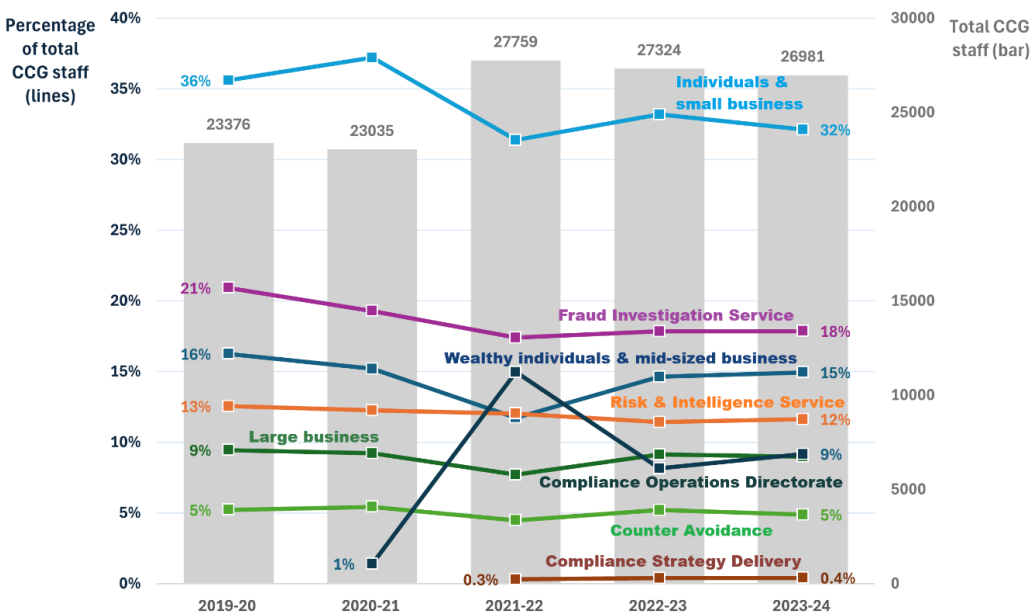
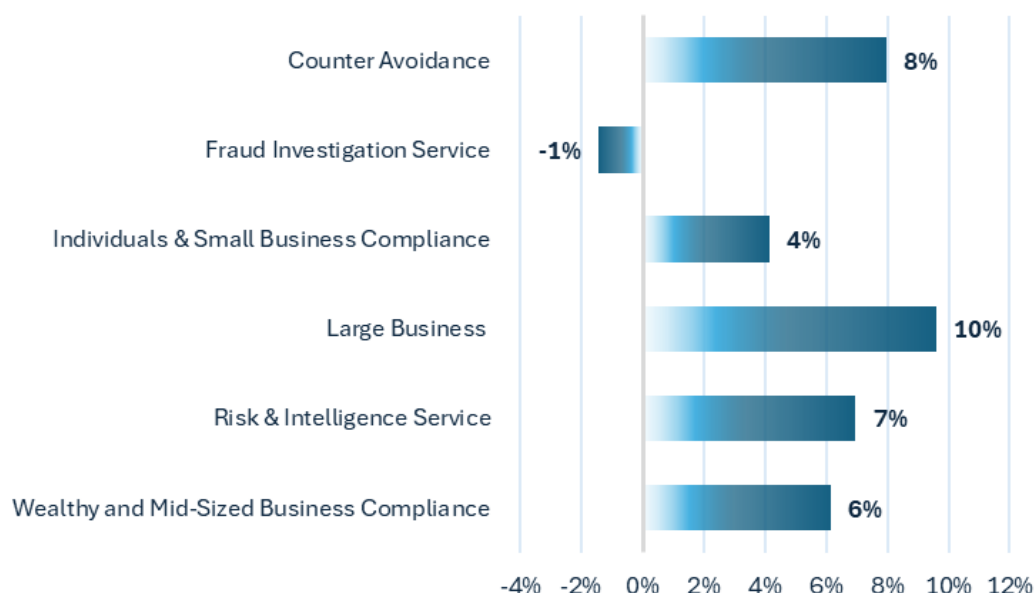


Figure 47: Change in number of FTE staff in Customer Compliance Group (CCG) by function, 2019-20 to 2023-24

Source: HMRC response to TaxWatch Freedom of Information request, 2 July 2025. Note: Compliance Operations Directorate and Compliance Strategy Delivery are excluded because they are new departments whose percentage growth thus cannot be measured over this time period, and because they are not specific to particular taxpayer or behaviour types.



- Individuals and Small Business remains the largest compliance Directorate, though it has fallen from 36 percent to 32 percent of the Compliance Group's staff. Overall its FTE staff have increased since 2019-20, but staffing levels fell significantly from 9,070 FTE in 2022-23 to 8,665 FTE in 2023-24. This decline seems out of step with the doubling of HMRC's estimate for the small business tax gap since 2019-20 (Section 1.3 above), and the fact that since 2019-20, annual average compliance yield from small businesses has been less than 30 percent of HMRC's estimate of small businesses' unpaid tax.¹⁴⁷
- Large Business has seen the largest staff increase in absolute terms (10 percent). This seems justified by the fact that resourcing large business compliance is highly fruitful: each pound spent on large business compliance returned £57.94 in compliance yield in 2024-25, far greater than for any other taxpayer group (Figure 45).
- Counter-Avoidance, the directorate responsible for tackling mass-marketed tax avoidance schemes, has increased its staffing by 8 percent since 2019-20. This reflects a continued strong focus of HMRC's compliance function on marketed avoidance schemes. HMRC proposed new powers, penalties and offences for the promoters and designers of tax avoidance schemes in 2021, 2024 and 2025 (Section 1.3 above). This level of effort is surprising given HMRC's own estimates that the tax gap generated by marketed avoidance has shrunk dramatically to just £0.2 billion in 2023-24, down from £1.5 billion in 2005-6; and that HMRC now estimates that there are around 20-30 active promoters of marketed avoidance schemes.¹⁴⁸

2024-25 recruitment drive

The Autumn Budget 2024 and Spring Statement 2025 promised a major investment in HMRC's workforce, aimed at closing the tax gap.

- The Autumn 2024 budget promised “an additional 5,000 compliance staff - with the first 200 starting training in November - and providing funding for 1,800 debt management staff”.¹⁴⁹
- The Spring Statement 2025 added to these staffing pledges, with funding for “600 additional HMRC debt management staff” and “500 additional HMRC compliance staff.”¹⁵⁰

The Treasury projects an extra £15.5 billion of tax revenues over the course of this parliament thanks to the additional funding for these 7,900 compliance and debt management staff: reaching £5.47 billion in additional annual revenues by 2029-30.¹⁵¹ Aside from increases to the headline rates of employers’ national insurance, these staff are by far the largest projected tax revenue-raising measures that the current government have yet announced.¹⁵²

Additional or not?

Official documents, Ministers and HMRC officials have given inconsistent statements about the extent to which the additional funding for debt management staff is actually going to lead to new, additional staff.

- The Autumn Budget 2024 document appeared to be clear on this question: the funding pledge for debt management staff was headlined “*Investing in additional HMRC debt management staff*” (emphasis added).¹⁵³
- Likewise then-Exchequer Secretary James Murray, the government minister responsible for HMRC, told Parliament on 31 October 2024 that “*by 2029-30 HMRC will have recruited 5,000 additional compliance officers and funded 1,800 additional debt management staff.*” (emphasis added).¹⁵⁴
- HMRC Chief Executive Sir Jim Harra also told the Treasury Select Committee on 27 November 2024 that “*We have been given a total of £1.6 billion extra over five years to recruit 5,000 additional compliance officers and 1,800 additional debt management officers*” (emphasis added).¹⁵⁵

HMRC’s Chief Finance Officer, however, immediately corrected the Chief Executive: “*There are currently 1,200 staff in debt management who were due to leave at the end of this year, but are now staying... Then there are a further 600 who will be there by the end of 2027.*”¹⁵⁶

The Spring Statement 2025 then stated that another tranche of 600 debt management staff would be “*additional*”.¹⁵⁷

It appears, therefore, that contrary to the Autumn Budget 2024 document and the Exchequer Secretary’s statement to Parliament, only 600 of the 1,800 “additional” HMRC debt management staff promised in the Autumn Budget 2024 will actually be additional staff; plus 600 further additional debt management staff promised in the Spring Statement 2025.

A year on from the Autumn budget, 744 of the promised 5,500 additional compliance officers have been recruited, and none of the additional debt management officers from the Autumn Budget 2024 and Spring Statement 2025 pledges, for which HMRC told TaxWatch it does not expect recruitment to start before 2026-27 (Figure 48).¹⁵⁸

According to information provided to the National Audit Office, HMRC “*recruited around 700 additional FTE [debt management] staff in 2024-25, as funded in the Autumn Statement 2023,*” resulting in a net increase of 490 debt management staff that year.¹⁵⁹ That recruitment was enabled by pre-2024

funding (separate from the Autumn 2024 pledge) and was aimed at tackling the Covid-era debt backlog.

The vast majority of the 744 new compliance officers so far recruited since the Autumn Budget 2024 will take several years to come online, since 718 (96 percent) were brought in at the Officer (O) grade via the Civil Compliance Foundation Learning (CCFL) programme - an 18-month trainee scheme for bulk recruitment.

Though HMRC's compliance recruitment strategy intends to rely heavily on trainee intake, nonetheless HMRC is *already* below target both on overall compliance recruits, and the intended number of experienced recruits.

- HMRC told TaxWatch that it intends to onboard about 1,100 compliance recruits per year from 2025-26 through 2029-30 to meet the overall target (Figure 48). The first-year intake of 512 in FY 2024-25 has already been lower than this 1,100 annualised pace.
- HMRC also told TaxWatch that approximately 90 percent of the 5,500 additional compliance officers will come through entry-level programs (the CCFL program for general compliance officers and the Tax Specialist Programme for inspectors), with around 10 percent being experienced tax professionals hired externally, to be placed into high-complexity teams like Large Business and Wealthy & Mid-Sized Business directorates. So far, however, only 26 of the 744 new compliance hires (3.4 percent) have been experienced tax professionals.¹⁶⁰

In other words, the vast majority of new compliance staff are junior trainees just beginning their tax careers, with a small infusion of senior expertise at the top grades. This means that even with the best-case scenario in which the recruitment rate increases to meet the 2029-30 target, just 0.4 percent of the promised new recruits will be operational by mid-2026.

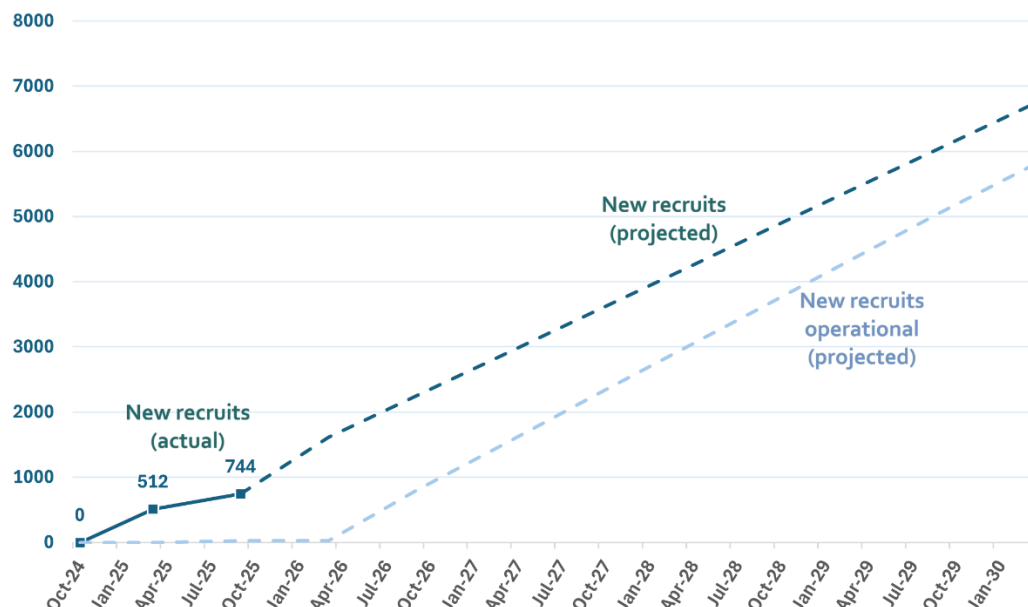
Workforce Area	Pledge (Autumn 2024 / Spring 2025)	Progress by mid-2025
Compliance Officers (CCG)	+5,500 by 2029–30 (primarily via entry-level trainees, ~1,100 hires per year), including 200 by November 2024	744 new compliance officers hired as of June 2025, of which 512 were recruited within 2024–25. This comprises 718 new recruits and 26 experienced tax professionals.
Debt Management	+2,400 by 2029–30, of which 1,200 existing staff to be retained to 2030, and 1,200 new staff recruited.	0 net new staff hired under this pledge by September 2025. New recruitment to commence in FY 2026-27. 1,200 existing staff retained. (Note: ~700 DM staff were added in 2024–25 via earlier funding, unrelated to the Autumn Budget 2024/Spring Statement 2025 pledges).

Figure 48: progress against recruitment pledges, 2024-25

Sources: Autumn Budget 2024 documents, Spring Statement 2025 documents, HMRC responses to TaxWatch FOI requests

Figure 49: Actual and projected progress towards recruiting 5,500 additional tax compliance staff and 1,200 debt management staff by 2029-30

Source: HMRC response to TaxWatch Freedom of Information request, TaxWatch projections. Assumes best-case scenario of all 1,100 new compliance staff recruited annually to 2029-30 and 300 of 1,200 new debt management staff recruited annually 2026-7 to 2029-30. Projects new non-experienced compliance staff to become operational 18 months after recruitment, and debt management staff to become operational 6 months after recruitment.



As late as mid-2028, only half of the promised new compliance staff and a third of the new debt management staff can be expected to be operational (Figure 49). With the exception of around 100 experienced staff, the longest-serving of these recruits will have been operational for just two years. By that point the government has promised that these recruits' efforts will already be generating an additional £3.1 billion annual tax revenues.¹⁶¹ These revenue projections seem optimistic at best. Even if newly-trained recruits are equally productive as existing staff at this point, just a third of the projected new recruits will be operational by then, while the HMRC/OBR forecast suggests that HMRC will be realising 62 percent of the final annual revenue increase by then.¹⁶² Even by the final year, in 2029-30, only three-quarters of the promised recruited staff will be operational, in the best-case scenario projected above.

It is not known precisely how the HMRC/OBR revenue forecasts from the new recruitment have been calculated, though it appears that it incorporates considerations of staffing wastage, time to skill up new recruits, and time/resource taken from other staff in integrating new recruits.¹⁶³ Multiplying the projected numbers of new recruits operational during each year to 2029-30 in our projection (Figure 49) by the expected compliance yield or tax debt yield per 'fully productive' staff, set out in the HMRC/OBR policy costings of Spring Statement 2025, suggests that the expected revenue increase from new recruitment could fall short by some £1.2-1.9 billion in 2029-30, and around £4.4-7.0 billion across this parliament (2024-25 to 2029-30).¹⁶⁴

A further key question is whether these gross recruitment figures will translate into net workforce growth. If turnover remains high, some of the newly recruited compliance officers could effectively replace departing staff rather than add to HMRC's capacity.

CONCLUSION

Raising public revenues has always been a critical government function. But the current government is 'betting the house' on improving HMRC's effectiveness.

The government's second-largest revenue-raising policy so far is recruiting additional HMRC staff to bring down the tax gap and debt balance. This is valuable and ultimately cost-effective work, but expectations that it will raise the promised £15.5 billion within this Parliament will struggle against the reality that new staff take years to be recruited, trained and to become effectively operational; and that recruitment is already behind schedule, as shown by the recruitment figures obtained by TaxWatch via Freedom of Information.

Their success will also rely on effective systems and information. In particular, the offshore data now streaming into HMRC from jurisdictions around the world needs to be exploited more effectively and aggressively; and the armoury of new civil and criminal powers that HMRC has acquired over the last decade need actually to be used by investigators and prosecutors.

Transforming HMRC's legacy IT and communication systems will require project management and - critically - funding, rather than simply passing time and costs to taxpayers themselves.

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- ¹⁵² HM Treasury, *Autumn Budget 2024*, pp. 115-122, Table 5.1, https://assets.publishing.service.gov.uk/media/672b9695fbd69e1861921c63/Autumn_Budget_2024_Accessible.pdf. This does not include changes to the benefits system and its administration (items 38-46 in Table 5.1), within which tackling error and fraud in Universal Credit claims from April 2028 was expected to save £2.54 billion by 2029/30.
- ¹⁵³ HM Treasury, *Autumn Budget 2024*, p. 513, para. 5.12, https://assets.publishing.service.gov.uk/media/672b9695fbd69e1861921c63/Autumn_Budget_2024_Accessible.pdf
- ¹⁵⁴ Commons Hansard Vol. 755 Col. 1035, [https://hansard.parliament.uk/Commons/2024-10-31/debates/363730DD-7437-4627-95B7-40169A3B7D9B/IncomeTax\(Charge\)#contribution-C660203C-5B32-4D71-B3CA-2FDC8D5778F6](https://hansard.parliament.uk/Commons/2024-10-31/debates/363730DD-7437-4627-95B7-40169A3B7D9B/IncomeTax(Charge)#contribution-C660203C-5B32-4D71-B3CA-2FDC8D5778F6)
- ¹⁵⁵ Sir Jim Harra, oral evidence to Treasury Select Committee, 27 November 2024, <https://committees.parliament.uk/oralevidence/15044/pdf/>
- ¹⁵⁶ Justin Holliday, oral evidence to Treasury Select Committee, 27 November 2024, <https://committees.parliament.uk/oralevidence/15044/pdf/>
- ¹⁵⁷ HM Treasury, *Spring Statement 2025*, p. 32, https://assets.publishing.service.gov.uk/media/67e3ec2df356a2dc0e39b488/E03274109_HMT_Spring_Statement_Mar_25_Web_Accessible.pdf
- ¹⁵⁸ HMRC response to TaxWatch FOI request (FOI2025/132249), 4 September 2025.
- ¹⁵⁹ HMRC, *Report by the Comptroller and Auditor General: HM Revenue & Customs 2024-25 Accounts* (16 July 2025), para. 188, p. R14, https://assets.publishing.service.gov.uk/media/687e5d318adf4250705c96d8/HMRC_annual_report_and_accounts_2024_to_2025.pdf
- ¹⁶⁰ HMRC response to TaxWatch FOI request (FOI2025/132249), 4 September 2025.

¹⁶¹ HM Treasury, *Autumn Budget 2024: Policy Costings* (October 2024), p. 24, https://assets.publishing.service.gov.uk/media/6721d2c54da1c0d41942a8d2/Policy_Costing_Document_-_Autumn_Budget_2024.pdf (+£1,150 million in 2027-8 from compliance staff and +£1,490 million from debt management staff); HM Treasury, *Spring Statement 2025: Policy Costings* (March 2025), https://assets.publishing.service.gov.uk/media/67e562fc33afcd62e4ca4c9e/SS25_Published_Costing_Document.pdf (+£50 million in 2027-28 from compliance staff and +£410 million from debt management staff).

¹⁶² Expected revenue increase by 2027-28, £3,100 million; expected revenue increase by 2029-30, £4,995 million.

¹⁶³ HM Treasury, *Spring Statement 2025: Policy Costings* (March 2025), pp. 18, 20, https://assets.publishing.service.gov.uk/media/67e562fc33afcd62e4ca4c9e/SS25_Published_Costing_Document.pdf

¹⁶⁴ Since we do not have the exact estimation methods or data used to produce the Treasury/OBR policy costings for these recruitment efforts, we produce this range of estimates using two different methods. First: we multiply (i) the final expected additional revenue by 2029-30 from this additional recruitment, according to Treasury/OBR policy costings, by (ii) the projected percentage of the expected new recruits that will be operational in each year 2024-25 to 2029-30 at current rates of recruitment, assuming that new compliance staff are operational after 18 months' training, and new debt management staff after 12 months, as HMRC says - see Spring Statement Policy Costings, p. 18). At current recruitment and training rates, 0.4 percent of the final total will be operational in 2025-26, 12 percent in 2026-27, 33 percent in 2027-28, 54 percent in 2028-29, and 76 percent in 2029-30. This method produces a shortfall from Treasury/OBR costings of £7.0 billion from 2024-25 to 2029/30, including £1.2 billion in 2029-30 itself.

Alternatively: we multiply (i) the number of expected new compliance staff and new debt management staff that will be operational in each year (as above) with (ii) the expected revenue/head from new, 'fully productive' compliance and debt management staff respectively. Expected revenue/head for 'fully productive' compliance staff is given in HMRC/OBR Spring Statement Policy Costings (pp. 18, 20) as £0.53 million in 2024/25 declining to £0.32 million by 2029-30. Expected revenue/head for 'fully productive' debt management staff is given as £3.5 million in 2024-25 declining to £0.3 million by 2029-30. This produces a shortfall from Treasury/OBR costings of £4.4 billion from 2024-25 to 2029-30, including £1.9 billion in 2029-30 itself.