



National Audit Office

HM Revenue & Customs 2024-25

November 2025

OVERVIEW



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Summary



C&AG introduction

In 2025, we set out our [new five-year strategy](#). In delivering our statutory responsibilities, we aim to maximise our contribution to two outcomes – more productive and resilient public services and better financial management and reporting in government.

Our overviews summarise the key information and insights from our examinations of departments and from their annual report and accounts, and explore departments' progress against these crucial outcomes, highlighting positive examples and opportunities to improve.

If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Background to HMRC (pages 4 to 5)

Strategic vision	To be a trusted, modern tax and customs department. In July 2025, HM Revenue & Customs (HMRC) published its plan to transform the tax and customs system and make it more efficient, modern and automated.
Objectives	1 Close the tax gap 2 Improve day-to-day performance and the overall customer experience 3 Reform and modernisation of tax and customs administration 4 Build a high-performing organisation, with a skilled and engaged workforce 5 Support wider government economic aims through HMRC's work
Financial position in 2024-25 and beyond	• Tax revenue collected: £875.9 billion – the highest on record and £32.5 billion (3.9%) more than in 2023-24. • Tax debt: £42.8 billion as at 31 March 2025 (or 4.9% of tax revenue), this was £0.2 billion less than at 31 March 2024. • Total spending of £6.6 billion: £0.6 billion, or 9.2% less than in 2023-24. • Spending Review settlement: Expected increase in day-to-day spending in real terms by 0.7% per year from 2025-26 to 2028-29. • Efficiency targets: £886 million in efficiencies per year by 2028-29.

Insights from our work (pages 6 to 11)

Financial management	• The Comptroller and Auditor General (C&AG) once again issued a qualified audit opinion on HMRC's accounts due to material levels of error and fraud in Child Benefit, Corporation Tax research and development reliefs, and personal tax credits expenditure.
Productivity	• HMRC is focusing more on preventing non-compliance and encouraging compliance, rather than responding to non-compliance after it occurs. We have recommended that HMRC improves its understanding of the cost-effectiveness of these compliance activities. • We have reported that HMRC faces a continuing challenge to achieve efficiencies and increase productivity and recommended that HMRC should be seeking to increase the productivity of its existing compliance staff.
Risk and resilience	• HMRC says it has improved system resilience, but we have reported that remediating its legacy systems is taking longer than it expected and costing more. HMRC has not yet achieved the anticipated efficiencies from its digital services. • HMRC rated capacity and capability as a 'red' risk in March 2025. HMRC needs to ensure it has the right number of staff with the appropriate skills and expertise to provide good customer service and deliver against its ambition to close the tax gap.



HMRC states that its vision is to be a trusted, modern tax and customs department. Following the change in government in July 2024, it introduced five new strategic objectives integral to achieving its aims. HMRC's latest [annual report and accounts](#) details its progress and performance against these objectives (**Figure 1**).

HMRC assessed six of its 10 key risks in March 2025 as 'red': technical health; data protection; HMRC security; exploiting information; improving customer experience; and capacity and capability. In its annual report commentary, HMRC was positive about its progress in managing data and security risks by strengthening key security controls, investing in modernising its IT estate and improving its overall resilience. HMRC referred to its investment in improving capability and services as key mitigations in tackling other red-rated risks.

Figure 1
HM Revenue & Customs' (HMRC's) performance against its strategic objectives in 2024-25

Strategic objective	HMRC's priorities	HMRC's performance
1 Close the tax gap	To prevent non-compliance, promote good compliance, and increase the likelihood of customers getting their tax return right before submission. For example, HMRC is building user-friendly digital interfaces and nudging customers to file correctly.	Brought in 95% of tax due (£875.9 billion in total tax revenues). Compliance work secured a record £48.0 billion of tax revenue (2023-24: £41.8 billion).
2 Improve day-to-day performance and the overall customer experience	To expand and improve online services and help as many customers as possible to interact with HMRC digitally, freeing up advisers to help people who need extra support. HMRC is also aiming to improve its guidance and the performance of its helplines and customer correspondence.	76.2% of customer interactions were made through automated or digital self serve channels (2023-24: 73.2%). Average call wait time was 18:38 minutes (2023-24: 23:14 minutes).
3 Reform and modernisation of the tax and customs administration	More resilient IT systems and advancements in technology that modernise and make HMRC more productive, agile and efficient.	More than 30 million Value Added Tax (VAT) returns processed digitally. More than 135 million individual customer records brought together to view data across five different taxes.
4 Build a high-performing organisation, with a skilled and engaged workforce	To build skills across its workforce and create a continuous learning culture that ensures it has the capability it needs.	Employee engagement score of 56% (2023-24: 56%). More than 80,000 courses completed by staff via its Digital Academy.
5 Support wider government economic aims through HMRC's work	To support the government's wider economic aims, for example through its work with other government departments, agencies and wider industry to support trade at the borders. It aims to improve the stability and resilience of systems and improve services and simplify processes to ease the burden on customers.	Migrated all import and export declarations from the legacy Customs Handling of Import and Export Freight (CHIEF) system to the Customs Declaration Service (CDS). Around 78 million declarations made on CDS.

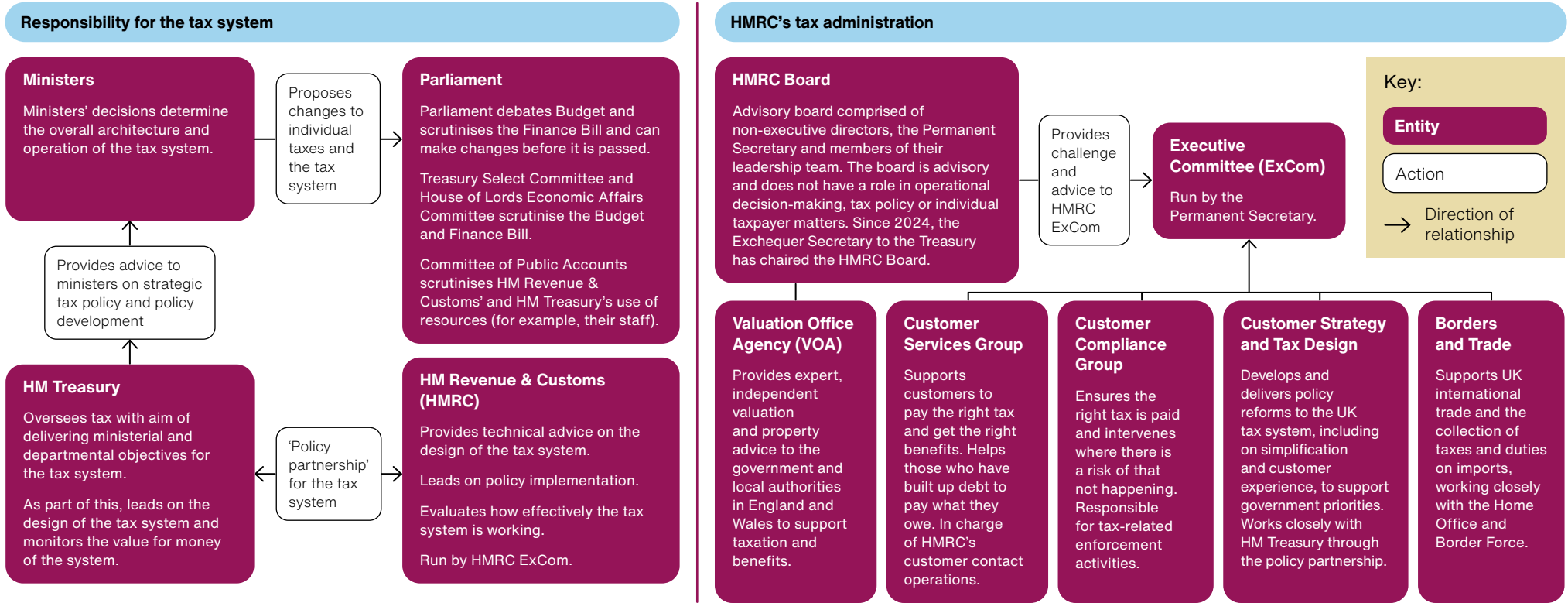
Source: National Audit Office analysis of HM Revenue & Customs, *Annual Report and Accounts 2024 to 2025*

How HMRC is structured



HM Treasury oversees tax and customs policy to deliver ministerial objectives and works with HMRC in a policy partnership covering the tax and customs system as a whole. It also sets HMRC's budget and objectives and, through the Exchequer Secretary, oversees HMRC (Figure 2).

Figure 2
The design and administration of the tax system



- Notes**
- 1 HMRC commissioners run the tax and customs system under the general direction of ministers, who set the department's budgets, targets and priorities, agree its operational strategies and oversee its performance.
 - 2 Four core customer groups are shown. In addition, since October 2024, the HMRC Board has provided strategic oversight for the VOA and replaced the VOA board. The VOA is currently an executive agency of HMRC and, by April 2026, will integrate into its parent department, HMRC.
 - 3 Responsibility for the property tax system also includes the Ministry of Housing, Communities & Local Government (MHCLG) and local authorities, which are not shown.

HMRC's spending

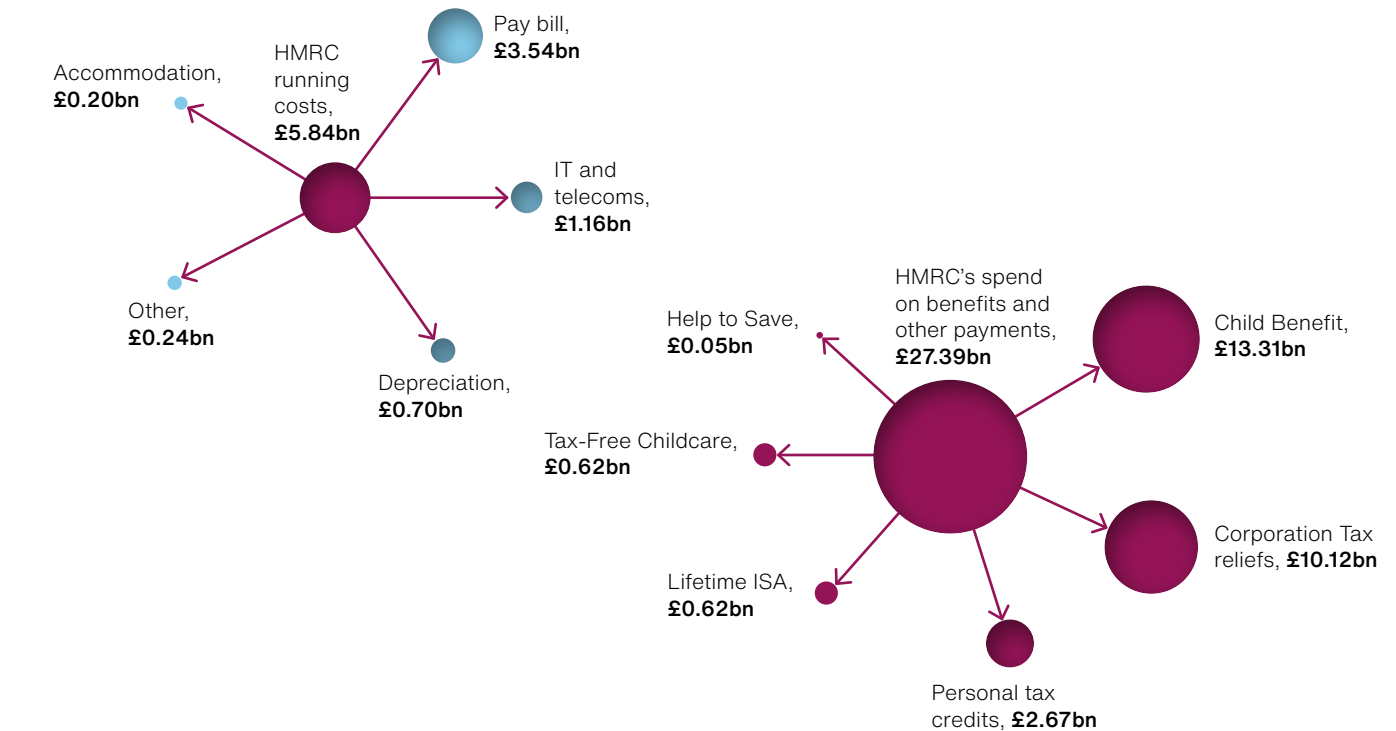


HMRC's running costs: In 2024-25, HMRC employed on average 64,868 full-time equivalent staff, costing £3.54 billion. Staff numbers decreased by 1.5% (from 65,853 in 2023-24), while total staff costs decreased by 0.5% (from £3.55 billion). Other significant spending was on IT and telecoms systems, costing £1.16 billion (**Figure 3**).

Benefits and payments: In addition to collecting taxes, HMRC administers some benefits and payments through the tax system. In 2024-25, HMRC made payments totalling £27.4 billion in benefits and other payments. The main benefits were Child Benefit (£13.31 billion) and personal tax credits (£2.67 billion). Personal tax credits payments have decreased as eligible customers have now moved to Universal Credit, which is administered by the Department for Work & Pensions.

HMRC's other payments included expenditure on Corporation Tax reliefs, which totalled £10.12 billion in 2024-25. The largest component was research and development (R&D) reliefs (£7.6 billion), with most of the rest being reliefs for the creative industries (£2.4 billion).

Figure 3
HM Revenue & Customs' (HMRC's) expenditure on running costs and benefits and payments in 2024-25
In 2024-25, HMRC spent £5.84 billion on running costs and £27.4 billion on benefits and other payments



- Notes**
- 1 HMRC's running costs included £202 million net Valuation Office Agency expenditure (£263 million gross expenditure, £61 million income).
 - 2 'Pay bill' refers to HMRC's expenditure on salaries and related costs.
 - 3 Spending in this chart excludes investment or capital expenditure, such as asset purchases, and balances related to cost of living and COVID-19 support.

Spending patterns in HMRC

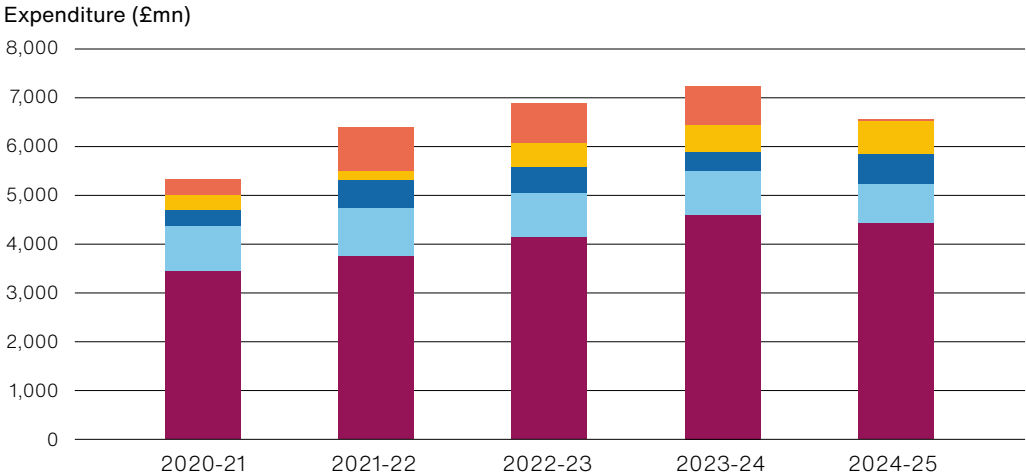


HMRC's total spending decreased to £6.6 billion in 2024-25 (£7.2 billion in 2023-24), as temporary costs arising from the need to deliver COVID-19 support and cost of living support, including to those on lower incomes and with certain disabilities and health conditions, were phased out (Figure 4). Ongoing spending related to:

- the European Union (EU) exit transition, from both a tax and customs perspective;
- modernising services and IT systems; and
- core operations, which include customer service, administration, compliance activity including to tackle tax avoidance and evasion, and specific work targeted at tackling increasing levels of tax debt.

Figure 4
HM Revenue & Customs' (HMRC's) departmental spending, 2020-21 to 2024-25

HMRC's spending increased each year between 2020-21 and 2023-24 before decreasing to £6.6 billion in 2024-25



	Financial year				
■ Core operations	3,454	3,767	4,156	4,595	4,446
■ EU exit transition	934	974	893	893	792
■ IT transformation and modernisation	316	568	539	413	603
■ Depreciation	311	174	478	533	695
■ Delivering COVID-19 support and paying cost of living support	319	899	820	793	26
Total	5,332	6,382	6,885	7,227	6,562

Notes

- Total spending in this chart includes investment or capital expenditure (£728 million), such as asset purchases, in addition to the spending shown in Figure 3.
- Figures may not sum due to rounding.
- Values are in nominal terms and have not been adjusted for inflation.

Source: National Audit Office analysis of HM Revenue & Customs, *Annual Report and Accounts 2024 to 2025*



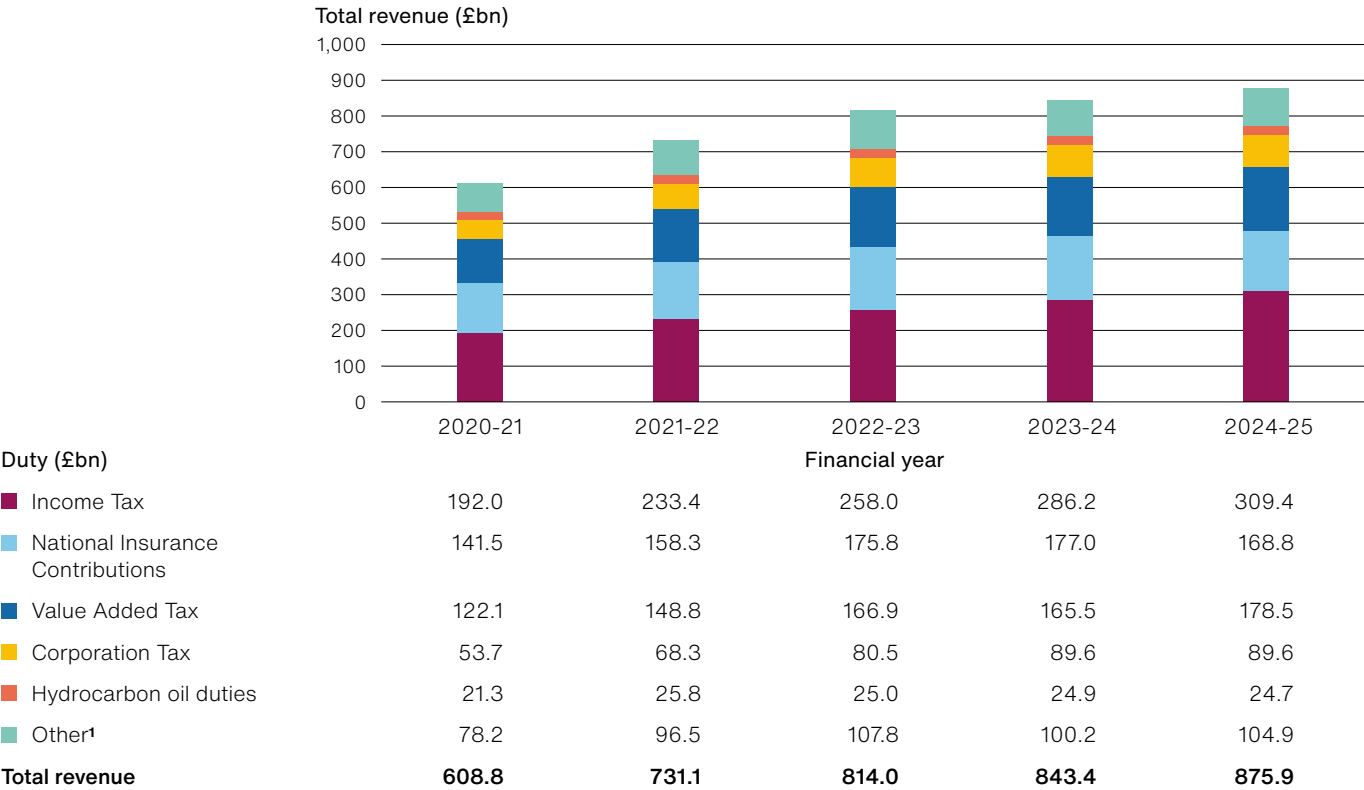


In 2024-25, HMRC reported £875.9 billion in revenue, the highest on record for the fourth year successively and an increase of £32.5 billion (3.9%) compared with 2023-24 (**Figure 5**).

- Income Tax and National Insurance Contributions (NICs) comprised 55% of total tax revenues in 2024-25.
- Total Income Tax for 2024-25 was £309.4 billion, an increase of £23.2 billion (8.1%) on 2023-24. This is partly attributable to tax thresholds staying the same while wages increased.
- Most Income Tax (84.6%) comes from Pay As You Earn (PAYE) income, followed by Self Assessment (15.0%), while a small proportion (0.4%) comes from Simple Assessment.
- Revenue from NICs decreased by £8.2 billion (4.6%) compared with 2023-24, resulting from cuts to NIC rates in January and April 2024.
- Value Added Tax (VAT) revenue for 2024-25 was £178.5 billion, an increase of £13.0 billion (7.9%) on 2023-24. This is attributable to underlying growth and inflation, an understatement of accrued VAT revenue in the prior year, and VAT charges on private school fees.

Additional funding, announced at the 2024 Autumn Budget and 2025 Spending Review, is targeted at increasing compliance activity, in line with HMRC’s strategic objective to close the tax gap. HMRC aims to raise £7.5 billion additional tax revenue per year with these measures by 2029-30.

Figure 5
Total revenues reported by HM Revenue & Customs (HMRC), 2020-21 to 2024-25
HMRC reported £875.9 billion in tax revenue collected in 2024-25



- Notes**
- ¹ 'Other' includes, for example, Stamp Taxes, Inheritance Tax, alcohol and tobacco duties, Insurance Premium Tax, Capital Gains Tax, student loan recoveries, customs duties, and fines and penalties.
 - Values are in nominal terms, which means they are not adjusted for inflation.
 - Figures may not sum due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs Trust Statements 2020-21 to 2024-25

Tax debt and losses



Tax debt reached £68.5 billion at the height of the pandemic when HMRC suspended most debt collection activity. At 31 March 2025, the tax debt balance was £42.8 billion (4.9% of tax revenues), down from £43.0 billion at 31 March 2024 (**Figure 6**).

From 2015-16 to 2019-20, tax debt was typically around £15 billion, or 2.5% of tax revenues. HMRC is aiming for debt to decrease year on year as a percentage of receipts. The Exchequer Secretary has made it clear that debt must fall each year towards at least pre-pandemic levels.

Time to Pay (TTP)

arrangements: HMRC's TTP plans allow customers to pay off debt in instalments. At 31 March 2025, £5.7 billion of tax debt (13.4%) was within a TTP arrangement, compared with £5.5 billion (12.9%) at 31 March 2024.

Losses: In 2024-25, HMRC increased its activity in identifying and writing off debts that are unlikely to be recovered: £7.2 billion of debt was written off or remitted, an increase from £5.6 billion in 2023-24. This reflects continuing high levels of corporate insolvencies as well as more in-year HMRC activity to identify losses.

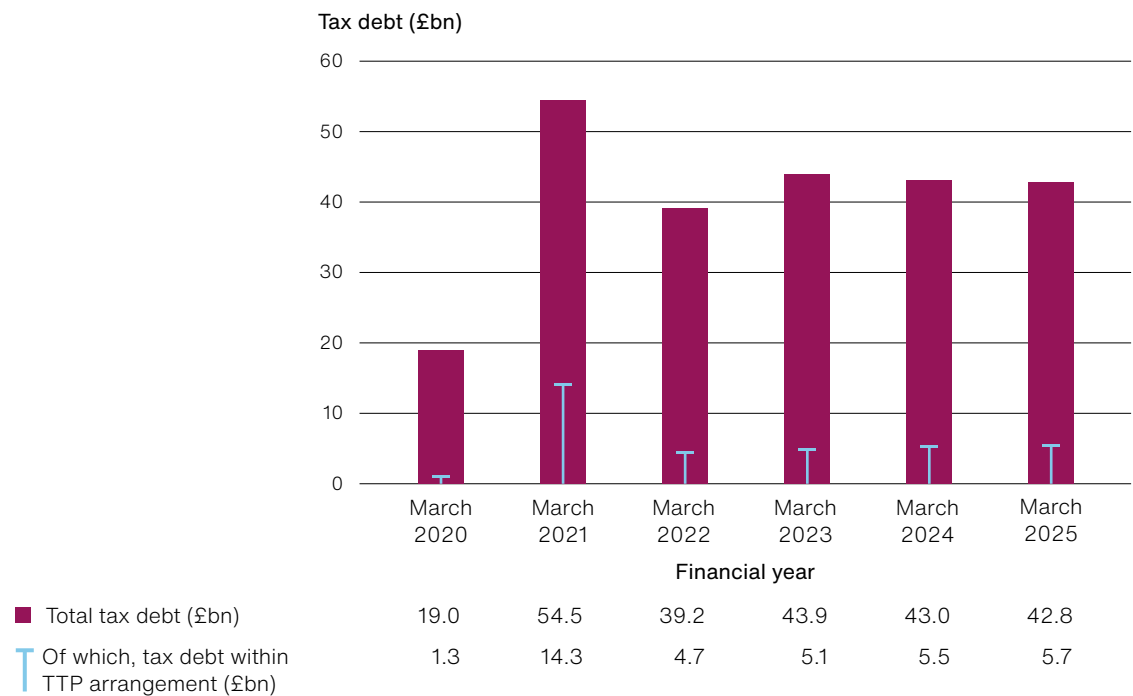
HMRC is trying to minimise the volume and value of debt. This includes using data from credit reference agencies to enable it to target debt collection toward customers who can pay but are choosing not to. It is also undertaking a pilot to trial collecting more aged debts with debt collection agencies and is exploring options to automate the collection process for lower value tax debts.

HMRC is currently revising its tax debt strategy – its debt reduction plans are scheduled to be published before the end of 2025.

Figure 6

HM Revenue & Customs' (HMRC's) tax debt balance, including the amount of tax debt that is within a Time to Pay (TTP) arrangement, March 2020 to March 2025

Between March 2024 and March 2025, HMRC's tax debt balance reduced from £43.0 billion to £42.8 billion



Notes

- 1 Data are as at the end of the month.
- 2 The tax debt within a TTP arrangement is the total value of tax debt for which HMRC has agreed a monthly payment plan with the customer in debt. It is part of the total tax debt balance.

Source: National Audit Office analysis of HM Revenue & Customs data



Outcome of the Spending Review

In June 2025, the government announced each department's funding settlement for 2025-26 to 2028-29. HMRC's funding to cover its day-to-day spending is expected to increase by an average of 0.7% a year in real terms during this period. HMRC received an additional £1.6 billion allocation of funding from 2026-27 to 2028-29 to modernise and reform HMRC's IT and data infrastructure, aimed at generating significant efficiencies and ensuring that HMRC is a productive and resilient organisation.

The government expects HMRC to deliver annual efficiencies of £886 million by 2028-29 (**Figure 7**). This sum represents a gross efficiency of 15.0% against its planned spending – larger in percentage terms than any other government department.

HMRC was also allocated funding of £0.3 billion from the government's Transformation Fund to improve customer services and IT by using digitalisation and artificial intelligence (AI) capability to drive productivity improvements.

Figure 7

Main areas of efficiencies set out at the Spending Review 2025

The Spending Review 2025 sets out plans for HM Revenue & Customs (HMRC) to deliver efficiencies of £886 million per year by 2028-29 through five main areas

1 Moving to digital services

- Additional government investment of £500 million from 2026-27 to 2028-29, to make digital services more cost-effective, available 24/7, and free up staff to help customers that need to call or write
- Aim to increase customer engagement through digital self-service channels to 90% by 2029-30, from 76% in 2024-25

2 IT modernisation

- Continue to decommission legacy platforms and move towards more cost-effective, modern software
- Newer systems to better connect data, utilise AI and other digital tools
- Rationalise the number of licences

3 Continuous improvement and productivity

- Bringing the Valuation Office Agency (VOA) into HMRC by April 2026, saving 5–10% of VOA administrative costs by 2028-29
- Testing new AI tools to automate administrative tasks such as summarising telephone calls
- Improving staff skills through HMRC Academy programmes:
 - Digital Academy
 - Tax, Customs and Compliance Academy
 - Leadership and Management Capability Academy

4 Physical estate restructuring

- Reducing the Central London physical estate by 25%
- Opening regional centres, which are cheaper to run and allow subletting of space to other government departments
- Aim for 85% of staff to be based outside London by 2030

5 Investment in compliance systems and processes

- Investment in upstream compliance: making it easy for customers to pay the correct tax in the first instance
- Includes campaigns, digital 'nudges' to prevent mistakes where customers may have entered incorrect information, and the deterrent effect of prosecutions
- Hiring 5,500 additional compliance staff and hiring new and retaining existing debt management staff where funding was due to run out (2,400 staff in total)
- Expected to raise £7.5 billion additional revenue per year by 2029-30

Source: National Audit Office analysis of HM Treasury, *Spending Review 2025: Departmental Efficiency Plans*, June 2025; HM Revenue and Customs, *Annual Report and Accounts 2024 to 2025*; and HM Revenue & Customs, *HMRC's Transformation Roadmap*, July 2025



Fraud and error is a risk facing the whole of government. Billions of pounds of public money are lost each year because the right amount of money was not paid to or collected from the right individuals or organisations.

HMRC administers Corporation Tax research and development (R&D) relief schemes which support companies that work on innovative projects in science and technology. HMRC spent £7.6 billion on R&D reliefs during 2024-25. The relief schemes are complex and have proved attractive to those seeking to abuse them.

Where error and fraud results in HMRC overpaying or underpaying reliefs to claimants who are either not entitled to these reliefs or are not paid the correct amount, such transactions do not conform with Parliament’s intention and are irregular.

The C&AG has qualified his regularity opinion on R&D relief schemes every year since 2019-20, the first year HMRC produced an estimate of error and fraud in those reliefs. In 2024-25, the C&AG concluded that there remains a material level of error and fraud, estimated by HMRC at 5.9% of related expenditure, or £481 million (**Figure 8**). The C&AG also reported a material level of error and fraud in expenditure relating to:

- over- and underpayments of personal tax credits, estimated at 4.2% and 0.8% respectively; and
- Child Benefit payments, estimated at 2.0%.

The C&AG qualified his audit opinion on that basis.

Figure 8
Estimated value and rate of error and fraud in small and medium-sized enterprises (SME) and research and development expenditure credit (RDEC) relief schemes, 2021-22 to 2024-25

The rate of error and fraud in the schemes remains significant; the SME scheme still shows the highest rate, estimated by HM Revenue & Customs (HMRC) at 10.6% in 2024-25

		Final estimates based on HMRC’s Mandatory Random Enquiry Programmes (MREPs) ¹		Projected estimates based on MREPs ²	
		2021-22	2022-23	2023-24	2024-25
Value of error and fraud (£mn)	SME scheme	1,203	652	370	339
	RDEC scheme	134	107	127	142
	Overall	1,337	759	497	481
Rate of error and fraud (%)	SME scheme	25.8	14.7	11.7	10.6
	RDEC scheme	4.6	3.3	2.9	2.9
	Overall	17.6	9.9	6.5	5.9

Notes

- 1 HMRC has estimated the value of error and fraud in 2021-22 and 2022-23 through the results of a sample of claims submitted in those financial years as part of its MREPs. These claims relate primarily to expenditure incurred by claimants in the two years prior to the claim. As these are based on MREPs, HMRC assesses these estimates as its most statistically robust estimates.
- 2 HMRC has also produced estimates for 2023-24 and 2024-25 based on the MREP results from 2022-23 and an assumption about the impact of recent rate changes.
- 3 The rate of error and fraud in the schemes is the value of error and fraud as a percentage of total expenditure in the schemes.

Source: National Audit Office analysis of HM Revenue & Customs data

Closing the tax gap



Why this is important

HMRC estimated the tax gap – the difference between the amount of tax that should be paid and what is actually paid – at 5.3% in 2023-24. It therefore collected an estimated 94.7% of tax due.

The tax gap arises for various reasons, such as mistakes in applying tax rules or tax evasion. HMRC cannot collect all tax but recognises it can do more to reduce the tax gap.

How HMRC is tackling it

HMRC is investing in technology to help taxpayers get their taxes right and for it to recover money owed. It expects AI and third-party data will help to make identifying and mitigating compliance risks easier, as well as improve staff productivity. The Office for Budget Responsibility has projected that the tax gap could reduce by 0.4 percentage points by 2029-30.

Insights: productivity

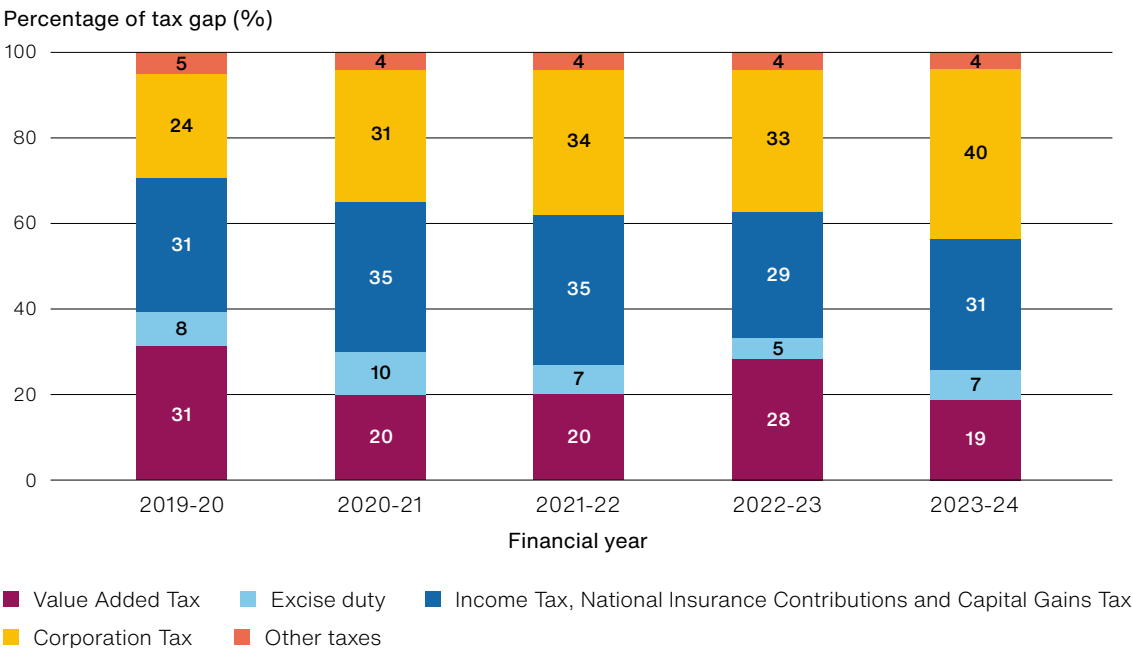
To target its interventions effectively and improve productivity, HMRC needs a good understanding of the tax gap. One area of understanding it is trying to improve is offshore non-compliance. In 2024, it [published](#) an estimate of £300 million in tax lost from undeclared foreign income by individual taxpayers in 2018-19. HMRC acknowledges its estimate does not capture the full extent of the offshore tax gap. It is consulting with stakeholders on how it can expand its coverage.

HMRC estimates that 40% of the overall tax gap in 2023-24 was due to Corporation Tax, up from 24% in 2019-20 (**Figure 9**). The costs to HMRC of collecting Corporation Tax increased by 25% in that time. In July 2025, HMRC cancelled plans to require incorporated businesses to keep digital records and submit tax returns online. HMRC's alternative plans for modernising Corporation Tax services will need to meet the diverse needs of SMEs and large businesses.

Figure 9

Tax gap, by type of tax, 2019-20 to 2023-24

HM Revenue & Customs' (HMRC's) latest estimate shows that Corporation Tax represents an increasing share of the tax gap



Notes

- 1 2023-24 are the latest data available.
- 2 Figures may not sum due to rounding.

Source: National Audit Office analysis of HMRC's tax gap official statistics, June 2025

Closing the tax gap: compliance yield



Why this is important

Through its compliance activity, HMRC secures tax revenue that would otherwise have gone uncollected. HMRC collected or protected £48.0 billion of compliance yield in 2024-25, exceeding its target for the year of £45.4 billion.

HMRC told us that it will use progress against compliance yield targets as the main measure of success against its new objective of closing the tax gap.

How HMRC is tackling it

HMRC wants 40% of compliance yield to be upstream by 2030. Upstream includes preventing non-compliance before it occurs, such as legislative changes to close tax loopholes, and process changes that reduce opportunities to avoid or evade tax. Downstream activity involves addressing non-compliance after it has occurred, typically through investigations. HMRC's performance in 2024-25 surpassed expectations, with 41% of total yield being upstream, up from 33% in 2023-24 (Figure 10).

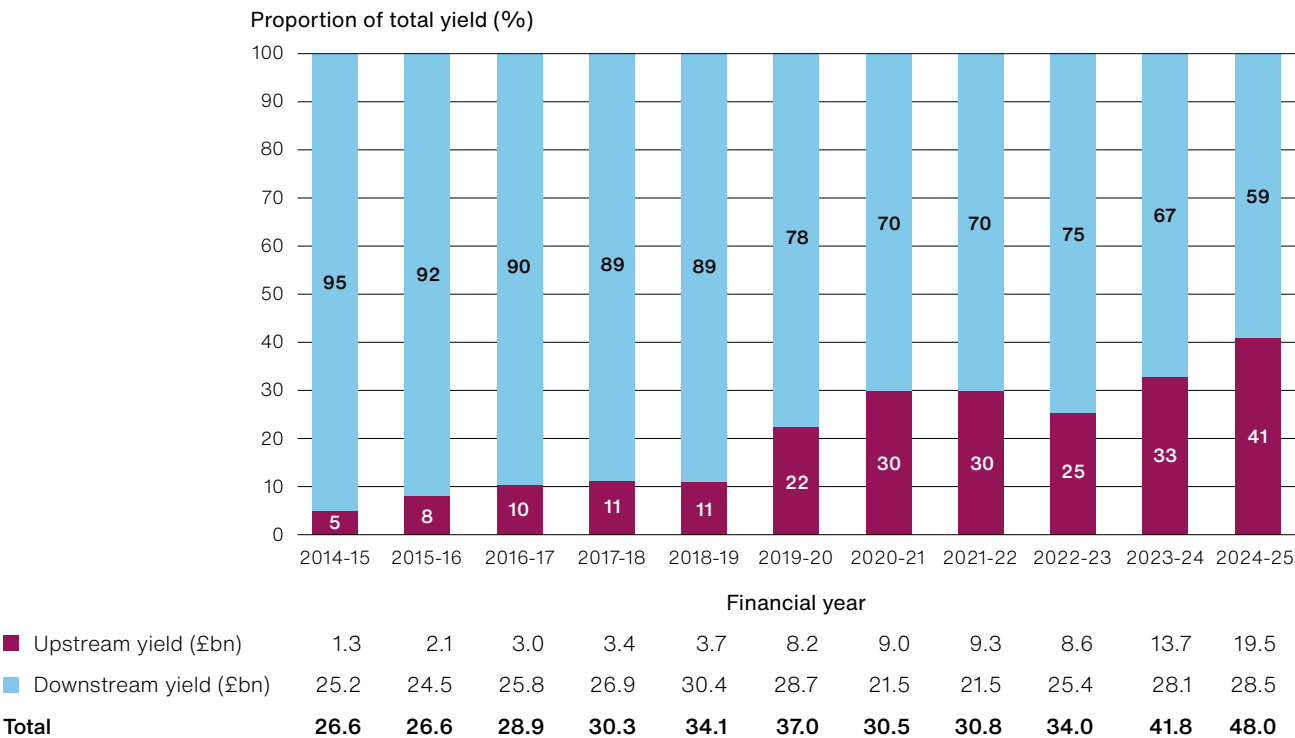
Insights: productivity

HMRC considers upstream activity to be more cost-effective than downstream activity, although this is difficult to verify as HMRC does not track the costs of separate activities. Our March 2025 report [The administrative cost of the tax system](#) recommended that HMRC should improve its understanding of the costs and benefits of upstream activity and identify where upstream work reduces the need for downstream work.

Figure 10

Upstream and downstream compliance yield, 2014-15 to 2024-25

The proportion of HM Revenue & Customs' (HMRC's) compliance yield attributable to upstream activity is increasing



Notes

- 1 Compliance yield represents the financial benefit to the Exchequer from HMRC's compliance activity.
- 2 Yield values are shown in cash terms (rather than real terms) so as to align with conventional reporting of tax revenues.
- 3 Figures may not sum due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs data



Why this is important

Taxpayers are required by law to engage with the tax system. HMRC is working to make this engagement as easy as possible, automating tax where viable and offering digital self-service where it is not. While many taxpayers currently use digital services, some need support with more complex queries to feel confident that they have met their obligations.

HMRC measures its customer service performance using seven priority metrics, which seek to measure how easy or hard it is for taxpayers to access services, and whether HMRC has helped taxpayers to resolve their queries. In 2024-25, HMRC had target levels for five of these metrics and missed them all. Performance did though improve on 2023-24 levels for three of the measures and remained broadly stable for the other two.

In 2024-25:

- HMRC received 33.5 million calls from customers, 8.7% fewer than in 2023-24 (36.7 million);
- HMRC answered 71.5% of callers' attempts to speak to an adviser, compared with 66.4% in 2023-24, and against a target of 85%;
- average call waiting times improved but remained well above pre-pandemic performance (**Figure 11** on page 15);

- customer satisfaction with phone, webchat and digital services was 79.7%, against a target of 80%, with 82.9% of customers surveyed satisfied after using a digital service; and
- HMRC handled 76.9% of correspondence within 15 working days, compared with 76.3% in 2023-24 and against a target of 80%.

How HMRC is tackling it

HMRC wants to encourage customers to use digital services wherever they can. Its ambition is that 90% of customer interactions in 2029-30 are digital, up from 76% in 2024-25. HMRC is exploring how to use its adviser-led services (phone and webchat) to coach customers to self-serve online.

HMRC recognises that digital self-service will not be appropriate for all. It has committed to providing targeted support to these customers and is planning to undertake research to update its understanding of customers in vulnerable circumstances, including the impact of digitalisation.

In April 2025, HMRC created a dedicated Customer Experience directorate with the aim of ensuring that customers are at the heart of its decision-making.

Insights: productivity

HMRC expects greater productivity from fewer people needing to write to or call HMRC, as well as offering digital services that are quicker. By giving customers greater control over their tax affairs and allowing them to complete routine tasks online or in the app without needing to call or write, HMRC intends to improve the experience for customers and help to reduce pressure on its phone lines so that advisers spend less time on administrative tasks and are available for those who need extra support.

Our 2024 report [Customer service](#) concluded that, while many of HMRC's digital services work well, they had not yet made enough of a difference to customer contact levels, and HMRC had not achieved the anticipated efficiencies.

During 2024-25, HMRC introduced a range of new and enhanced digital services, including for PAYE customers and the self-employed.

HMRC publishes monthly and quarterly [updates](#) on its in-year performance against targets.

Continued Customer experience

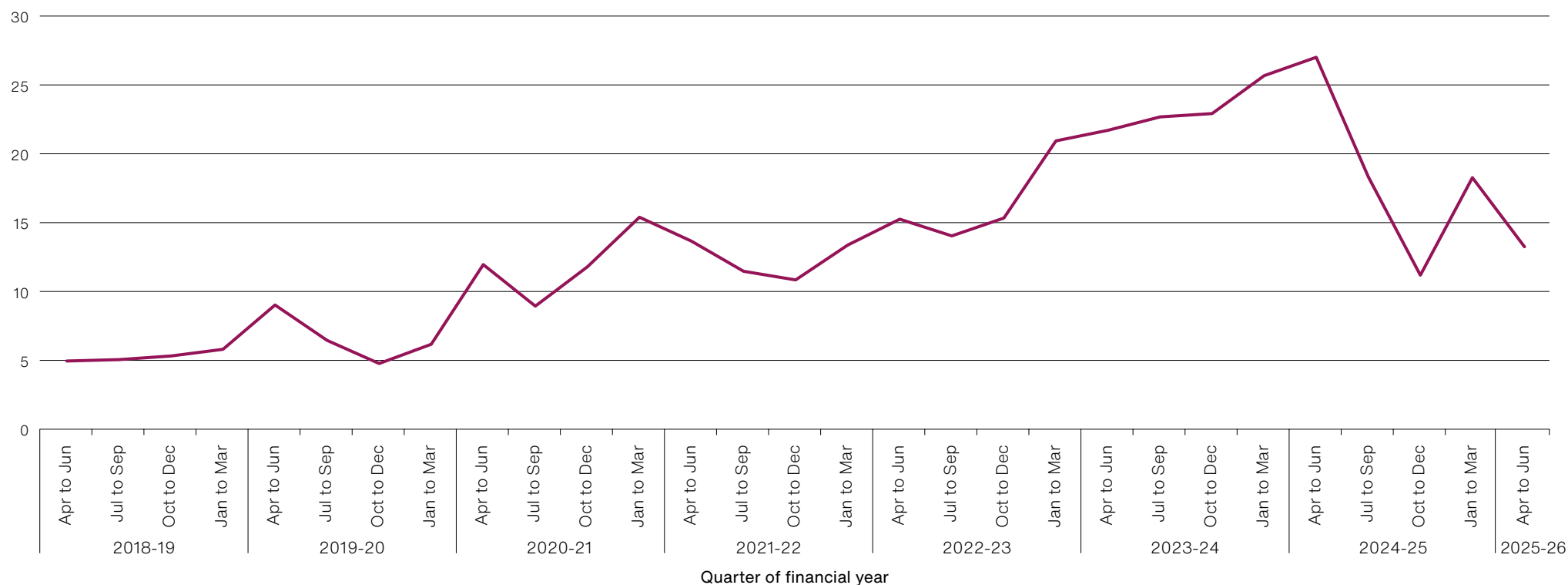


Figure 11

Average waiting times for answered calls from April 2018 to June 2025

HM Revenue & Customs' (HMRC's) average speed of answering calls to its helplines improved during 2024-25, but waiting times are still well above the pre-pandemic average of around 6 minutes

Average waiting time (minutes)



Note

1 Data relate only to calls that are answered by an adviser and exclude the time taken for customers to listen to any automated messages before entering the queue for an adviser.

Source: National Audit Office analysis of HM Revenue & Customs performance data

Reform and modernisation



Why this is important

HMRC has a large, complex, ageing IT estate with many legacy systems requiring costly investment in maintenance, and present risks to the security and resilience of its data and systems. Digital change involves levels of complexity, uncertainty and risk that are often unique to each specific programme (Figure 12).

How HMRC is tackling it

HMRC wants to overhaul its legacy IT infrastructure and invest heavily in AI, data capabilities and new platforms that increase the security and efficiency of its operations and provide an improved picture of a customer's tax affairs and compliance risks closer to real time. It plans to build more intuitive, joined-up systems, store customers' data securely, and improve customer experience. HMRC's Making Tax Digital programme is integral to its ambitions to ensure more taxpayers move toward more regular digital record keeping and automation. HMRC expects this programme to support productivity

and growth by promoting compliance, reducing the scope for errors and helping taxpayers get their tax right first time.

Insights: risk and resilience

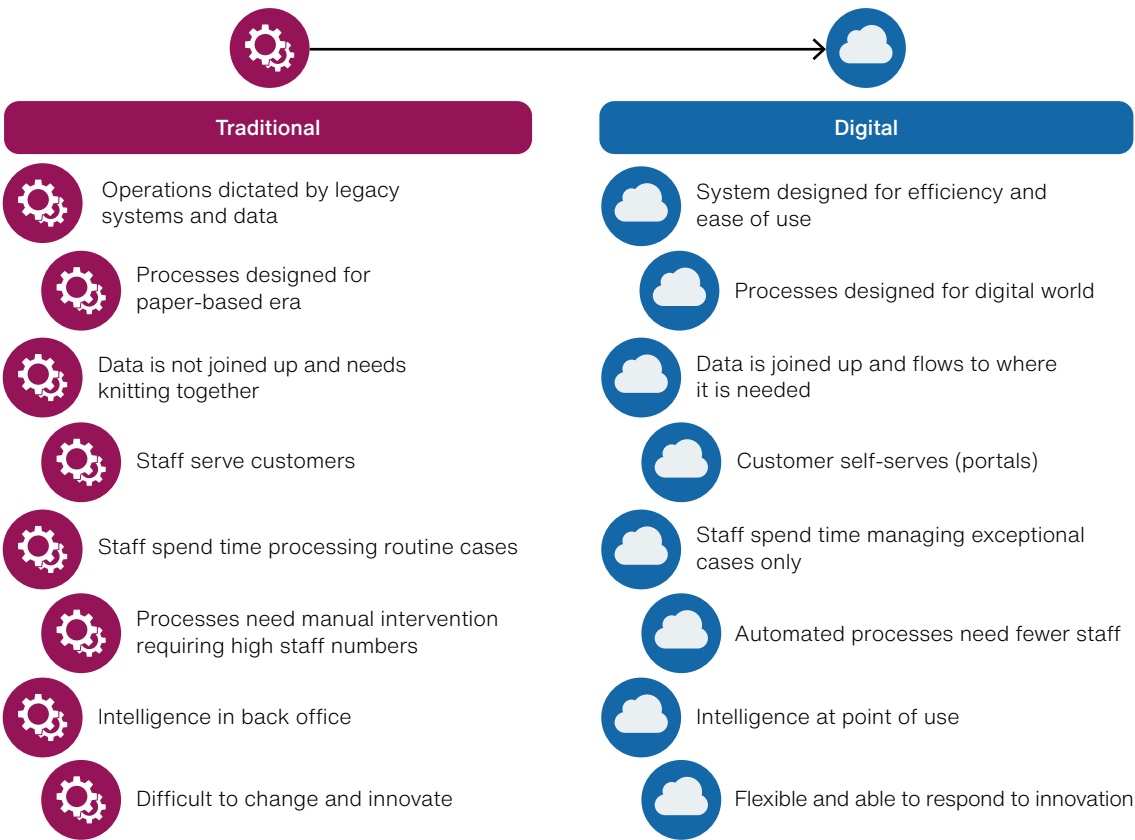
HMRC says it has improved its system resilience, blocking 99% of phishing attacks. However, our March 2025 report [*The administrative cost of the tax system*](#) highlighted that remediating legacy systems is taking HMRC longer than it had expected and is costing more.

Security and data protection were two of HMRC's 'red'-rated key risks at March 2025. HMRC is actively discovering and tackling fraud. In June 2025, HMRC published details of a large-scale fraud whereby organised criminals used stolen personal data from external sources to register for Personal Tax Accounts (PTAs) or used phishing techniques to obtain existing PTA sign-in details. HMRC estimates this affected around 100,000 customers, and around £49 million was fraudulently claimed in tax repayments.

Figure 12

The journey from a traditional to digital service

Changing an established service to a digital service is far more complex than building a digital service from scratch



Note

1 The journey from left to right is not a linear one and is full of challenges for large existing organisations like government departments compared to newer start-ups like Amazon.

Source: National Audit Office, *Digital transformation in government: addressing the barriers to efficiency*, March 2023



Why this is important

Getting workforce planning right helps organisations carry out their operations effectively so that they can achieve their objectives and priorities. It helps organisations be more resilient by ensuring they have the necessary capability and flexibility to cope with unexpected challenges. Since 2011, we have reported on the government's lack of strategic workforce planning, with departments often focusing on headcount rather than skills. HMRC cannot deliver its business objectives if it does not have, or cannot attract, the skilled workforce it needs.

How HMRC is tackling it

HMRC says that the transformational change it is seeking to deliver is shaping its view of its workforce needs. For example, it wants to expand roles in risk profiling, forensic analysis, and digital case working to support more targeted, data-driven compliance interventions. To better identify individuals trying to hide their wealth, it is recruiting experts in private-sector wealth management. HMRC's priorities include developing the skills and technical expertise across its workforce, improving recruitment processes and providing an attractive employment offer. It has recently strengthened its leadership and management capability through various leadership and management programmes. Our June 2025 [report on improving operational capability to provide better public](#)

[services](#) was positive about HMRC's approach to supporting people in front-line leadership roles to develop the management capabilities they need.

Insights into HMRC's workforce: plans and ambitions

- **62,224** full-time equivalent (FTE) staff employed by HMRC and **3,763** FTE staff employed by the Valuation Office Agency at 31 March 2025.
- **5,500** FTE additional compliance staff over the next five years funded in Autumn Budget 2024 and Spring Statement 2025. In 2024-25, HMRC managed to increase its compliance workforce by **700** compared with 2023-24.
- **1,200** FTE additional debt management staff over the next five years, as well as **1,200** FTE existing staff retained where funding was due to run out.
- **£7.5 billion** additional annual tax revenue by 2029-30 supported by the additional compliance and debt management staff.

Insights: productivity

In 2015, in a [report on central government staff costs](#), we highlighted that HMRC faces a significant challenge to maintain performance while transforming the organisation. HMRC says that its change programme continues to inform its future workforce plans and that it has an emerging picture of the shape and

capabilities it requires. Our March 2025 report [The administrative cost of the tax system](#) highlighted that HMRC faces a continuing challenge to achieve efficiencies and increase productivity. In the five years prior to the COVID-19 pandemic, compliance staff achieved more than £1.4 million per compliance worker in 2023-24 prices but 2023-24 performance was £1.27 million per worker. We recommended that HMRC should be seeking to increase the productivity of existing compliance staff, observing there is a risk that lower caseworker yield could become the norm if performance does not improve. According to HMRC, it takes four years for new compliance staff to be fully productive.

Insights: risk and resilience

HMRC's capacity and capability was a 'red'-rated risk at March 2025. HMRC says it has enhanced its workforce planning capability to ensure it has the right number of staff with the appropriate skills and expertise to provide good customer service and deliver against its ambition to close the tax gap. New funding allocations for additional compliance and debt management staff will help. HMRC expects most new staff to come through its entry-level trainee programme. HMRC is still working through how to best allocate new staff. For example, [we reported in May 2025](#) that HMRC had not yet determined how many new recruits would be assigned to the wealthy team, nor did it have a clear plan for ensuring that the team would get the skilled staff it needs.

Supporting wider economic aims: customs



Why this is important

HMRC works with Border Force and other government departments to ensure the customs regime supports legitimate trade, protects domestic markets against security risks and protects the United Kingdom (UK)'s international reputation as a reliable trading partner.

Since leaving the EU, the UK must apply import controls on goods arriving in Great Britain (GB) from the EU in the same way as it does on goods arriving from the rest of the world. Traders who import and export between GB and the EU are required to prepare information and submit a customs declaration to HMRC, which is responsible for processing customs declarations and collecting tax, duties and excise on the movement of goods across the border. These new requirements have resulted in additional administration for traders and HMRC that did not exist on GB-EU trade previously. HMRC has recently introduced the following changes on the movement of goods.

- **A single customs platform:** The Customs Declaration Service, or CDS (which replaced the legacy Customs Handling of Import and Export Freight, or CHIEF, system) allows traders to make import and export declarations when moving goods in and out of the UK and ensures the correct revenue is collected.

- **A new safety and security declaration model:** This aims to reduce the amount of data required for all imports into GB.
- **New customs arrangements for goods moving from GB to Northern Ireland** via parcels and freight under the Windsor Framework: This means that eligible goods that remain in the UK's internal market do not require full customs declarations and move without paying duty.

How HMRC is tackling it

HMRC wants to continue to improve the stability and resilience of its systems, reduce burdens on customers and simplify customs processes. A new interface, known as the Single Trade Window (STW), intended to make it cheaper and quicker for stakeholders to submit data to government departments, and help departments use and share data relating to the UK border, has long been planned. However, in November 2024, the government announced it was pausing its plans. HMRC's [transformation plan](#) sets out some ambitions and intended improvements for customs but does not mention the STW. HMRC will need to further develop its plans for the STW and other simplifications of the customs administration process.

Insights: productivity

With CDS now operational and HMRC's old systems decommissioned, it expects to realise savings of around £27 million a year. However, new customs controls have presented implementation challenges and created additional costs and administrative burdens. Some traders have had to invest in additional staff, training and software to enable them to interact with new systems and processes or, alternatively, to hire intermediaries to help with the administrative burdens.

Insights: risk and resilience

Post EU-exit, the requirement for customs formalities on GB-EU trade increased both the number of traders required to engage with the customs system and the volume of declarations that need to be made. We have [reported](#) that, in 2023-24, HMRC spent £760 million on administering customs and trade, an increase of 63% on comparable spending in 2019-20 (£466 million). [HMRC estimates](#) the total administrative burden on traders for the completion of import and export customs declarations for GB-EU trade in 2022 was £1.8 billion. Our May 2024 report [The UK border: Implementing an effective trade border](#) described the STW as an extremely ambitious programme with complex challenges.

More information about our work with HMRC



The administrative cost of the tax system

February 2025

This report focuses on increasing the transparency of the costs for all parties of administering taxes, establishing how far HMRC understands where its administrative costs are high, and how it is acting to improve efficiency and productivity and reduce costs for taxpayers.

The report concludes that the cost to HMRC of running the tax system is increasing. HMRC does not measure the overall efficiency of its administration of the tax system, but there is evidence that there is scope for increased efficiency and productivity. To maximise value for money, HMRC must be able to demonstrate efficient use of resources and be more conscious of the full cost of administering each tax and how the end-to-end system is working for each tax.

Collecting the right tax from wealthy individuals

May 2025

This report examines the extent to which HMRC is well placed to support wealthy individuals to pay the right tax and intervene in good time if people get things wrong.

The report concludes that HMRC deserves credit for increasing the amount of compliance yield from wealthy individuals, but that there is too much uncertainty around the tax gap estimate, notably for offshore wealth, to be confident that non-compliance is not far higher than HMRC has detected. Higher-value cases take far longer than they used to. HMRC is now seeking to address the efficiency and effectiveness of its casework.

Administration of Scottish income tax 2023-24 and Administration of Welsh rates of income tax 2023-24

January 2025

These reports examine HMRC's approach to assessing and mitigating the risk of non-compliance with Scottish and Welsh tax requirements, its controls for assessing Scottish income tax and Welsh rates of income tax, and the cost of administering these taxes.

We update our assessment of HMRC's administration of these taxes each year.

HM Revenue & Customs Accounts 2024-25: C&AG's report

July 2025

This report sets out our factual commentary on HMRC's performance in 2024-25, together with the reasons and context for the C&AG's qualification of his opinion on the regularity of HMRC's 2024-25 Resource Accounts.

It draws on the findings from our statutory audit work in respect of HMRC during the period, including the audits of HMRC's financial statements; the adequacy of its systems for collecting revenue; and the value for money it achieved from its spending. This report does not reach a separate conclusion on the value for money of HMRC's expenditure.

Large business tax compliance

Spring 2026

This report will examine whether HMRC's approach to large business tax compliance is delivering value for money. It will look at whether HMRC has a good understanding of the large business population and the compliance risks involved, whether HMRC is well set up to tackle the compliance risks involved, and whether its approach is delivering efficient and effective outcomes.

Our previous work on HMRC can be found [here](#). Information about the National Audit Office's upcoming work can be found [here](#).

About the NAO



The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enable us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account, and we use our insights to help those who manage and govern public bodies to improve public services.

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

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- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing, please contact our Parliamentary Relations team at parliament@nao.org.uk.

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About this report

This report has been produced to provide an overview of the NAO's examination of the spending and performance of HM Revenue & Customs.

This report updates our previous report, [An Overview of HM Revenue & Customs for the new Parliament 2023-24](#) published in November 2024.

How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value-for-money work, and from publicly available sources, including the annual report and accounts of HMRC. In some cases, to provide the most up to date information, we have drawn on information from HMRC documents. We have cited these sources throughout the guide to enable readers to seek further information if required.

Where analysis has been taken directly from our value-for-money or other reports, details of our audit approach can be found in the appendix of each report, including any evaluative criteria and the evidence base used. Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source, as well as any appropriate notes to help the reader understand our analysis.