

29 April 2025

JP Marks
Chief Executive, First Permanent Secretary and Accounting Officer
HM Revenue & Customs

Dear JP

Congratulations on your appointment as HMRC's Chief Executive and First Permanent Secretary. We, the Chartered Institute of Taxation (CIOT), were delighted that you could join us at Chartered Accountants' Hall for our joint event with ICAEW on 20 Years of HMRC, and wish you every success in your new role.

We would like to take the opportunity to share with you what we consider are the key issues relating to the Exchequer Secretary's three HMRC priorities (closing the tax gap; modernisation and reform; improving customer service). We work closely with HMRC on issues relating to all of these areas and appreciate their continued engagement with us across these and the wider tax landscape.

Closing the tax gap

We share the government's objective of reducing the tax gap and recently met with HMRC to discuss ways in which this can be achieved. We believe particular attention should be given to the following:

1. **Sharing more granular data** – we would welcome HMRC publishing, or otherwise sharing with certain stakeholders on a trusted basis, more granular data on the tax gap. For example, HMRC attributes approximately 60% of the tax gap to 'small businesses', but the definition of 'small' (up to £10m turnover and 20 employees) results in 95% of UK businesses being treated as 'small'. Such a broad spectrum does not help identify where the main problems lay, and sharing more data by turnover levels, sectors, behaviours etc would enable a better understanding and allow all parties to focus on the areas of greatest concern.
2. **Debt collection** – we acknowledge the significant investment in HMRC's debt management capability announced at the Autumn Budget and the Spring Statement, and the policy decisions to increase the rate of late payment interest and late payment penalties to encourage taxpayers to pay on time. We continue to

receive concerning reports regarding HMRC's debt management activity, such as the inability for taxpayers and agents to communicate effectively with HMRC's debt management teams, inaccuracy of HMRC's records, and the length of time taken to agree time to pay arrangements. We are pleased that HMRC have engaged with us on these issues, and we are keen to ensure that HMRC's debt management activity achieves the right balance between enforcing payment from those who refuse to pay what they owe, while supporting those who are struggling to pay or who are legitimately disputing HMRC's figures.

3. **Tax simplification** – the UK's tax system continues to grow in complexity, so it is no coincidence that the tax gap from 'mistakes' remains at a high level. A simpler tax system will lead to fewer mistakes, as well as being easier to digitalise and reduce low-value contact. However, previous attempts to embed simplification have fallen short, and we reiterate the points in the [joint professional bodies letter](#) sent to the then Financial Secretary to the Treasury two years ago. We encourage you to ensure that adequate resources and energy are devoted to meaningful tax simplification, including implementation of a coherent process to capture, evaluate, progress and report back on ideas and issues raised. Whilst being mindful of the current economic pressures, effective prioritisation could deliver cost and productivity improvements for HMRC and taxpayers alike. We are therefore focusing our attention on administrative simplifications, and we currently have a live survey seeking suggestions from members that we will be sharing with HMRC.

Modernisation and reform

HMRC's 'digital first' strategy recognises that developing and improving digital services is vital to modernise HMRC, to ensure we have a tax system in the UK that is fit for the future. The Digital Transformation Roadmap, which is now to be part of a strategic plan for HMRC, provides a golden opportunity to plan out how HMRC arrives at the 'digital first' destination. The CIOT hopes that this roadmap will:

1. Set out the specific projects (both underlying IT infrastructure and taxpayer/agent digital services) that HMRC plans to deliver in the short to medium term, along with longer-term ambitions to set the direction of travel.
2. Set out how HMRC plans to address the growing list of pain points in existing digital services - partly due to agent or taxpayer functionality being scoped out of initial design.
3. Outline the minimum standards and functionality that all new digital services should have - we have shared with HMRC what we believe these [minimum standards](#) should be.
4. Incorporate plans to maintain legacy systems and ensure HMRC is sufficiently resourced to provide the support taxpayers need during this digital journey.

We welcome the consultation that has already taken place, but to be fully effective we believe that the digital transformation roadmap should be 'co-created' with key stakeholders – including collaborative discussions around what should be included in the roadmap, the scope of digital projects and timescales for development and delivery.

With yesterday's announcement that HMRC are to reduce paper post, and bring forward legislation to support a 'digital first' approach, we see an increased need for a sufficiently detailed roadmap, which clearly illustrates how/when HMRC intend to increase their use of digital communications and/or build new facilities into digital services for corresponding with taxpayers. This transparency will help agents and taxpayers know what to expect and enable engagement in the change process, to help get things right.

Making Tax Digital for Income Tax

There are many important lessons that should be learnt from the design and implementation of Making Tax Digital for Income Tax (MTD), to ensure that things that have worked well can be replicated and those that have not are not repeated in future projects. Indeed, the CIOT and our Low Incomes Tax Reform Group (LITRG) remain concerned over several elements of the ongoing implementation of MTD including:

1. The lack of clarity on outstanding policy matters – although the Spring Statement confirmed that further legislation will be introduced prior to April 2026, HMRC has recently curtailed its engagement with external stakeholders where policy matters could be discussed. Whilst we appreciate HMRC have entered the 'readiness' phase of the MTD project, the fact that we are now unsighted on when and how these matters will be resolved limits our ability to encourage our members to ready themselves and their clients, or indeed provide ongoing feedback.
2. The level of testing of MTD prior to implementation – a programme of this scale should have extensive, robust testing. Appetite to join testing has been low, driven not only by a lack of perceived benefits of MTD and a shortage of software, but also by uncertainty caused by the outstanding policy matters. At this stage, we recommend more focus on how penalty soft landings, further easements and additional support from HMRC can help taxpayers transition to MTD without high levels of cost (for taxpayers, agents and HMRC) and non-compliance undermining its objectives.
3. Software choices – the Spring Statement announcement that HMRC would not develop an end of year submission service was, in our view, misguided. It has also come problematically late in the delivery of MTD, making the software choices decision even more difficult for taxpayers. The new software choices tool, which HMRC is developing, may help but there is as yet no expected publication date. If this is not delivered quickly, there is a high risk of taxpayers picking the wrong third-party software for their tax needs, preventing them from completing their full tax journey within software and thus falling into non-compliance.

Improving customer service

We know from our engagement with members that HMRC's customer service has a direct impact on the ability to do business and attitudes to tax compliance. We also know that poor HMRC customer service [undermines HMRC's Charter commitments](#).

We welcome the engagement we have had with HMRC on service levels, particularly since the publication of our joint CIOT/ICAEW report '[Tackling HMRC's customer service challenge](#)'. We also welcome the introduction of the Personal Tax escalation service, which reflects one of the key recommendations in the report.

There is significant overlap between HMRC's digital infrastructure and customer service however there is more to do beyond digitalisation, particularly in the here and now as HMRC commit to reduce post whilst there are still significant gaps in digital services functionality and digital communications. We welcomed the Exchequer Secretary to the Treasury's interest in our service level report, and as discussed with him on 28 February, look forward to further collaborative work with HMRC to advance further improvements to customer service.

In particular, we strongly recommend focussing on tracking correspondence. Providing reassurance to taxpayers and agents will significantly reduce the need to contact HMRC as frequently. Whilst progress chasing should be built into every new digital service to reduce future contact (and we would welcome such a commitment to digital functionality in the digital transformation roadmap), HMRC should also consider the development of alternative tracking mechanisms for legacy systems, where HMRC's data can evidence significant volumes of progress chasing.

Other matters

Given the depth of tax matters CIOT, and our members, deal with on a day-to-day basis, you will not be surprised to hear that there are several other issues that we have previously raised with HMRC and / or are currently engaging on. Some notable issues relate to R&D and HMRC's compliance approach, regulation / raising standards in the tax profession, adhering to sound tax policy making principles, the non-doms changes in the Finance Act, and transparency over policy costings and administrative burdens.

The CIOT intend to publish this letter, and any response we may receive from yourself, on our website.

We would be happy to discuss these, and the key issues outlined above at your earliest convenience.

Yours sincerely



John Barnett
Chair, Technical Policy and Oversight Committee



Ellen Milner
Director of Public Policy

The Chartered Institute of Taxation

About us

The CIOT is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are an educational charity working for the public benefit. We do this by promoting high standards in the profession, through our qualifications, our rules of conduct and a requirement for ongoing professional development, as well as by bringing the experience of our members to the table, to help government and others involved in developing tax policy and administration.

Through our in-house tax technical team, and extensive volunteer network, we are represented on approximately 70 engagement groups with HMRC, and we value the opportunity to work with HMRC across all taxes and at all levels. We are a non-party-political organisation, and we draw on the experience of our 20,000 members when providing our comments and recommendations.

Central to our mission is the work of our Low Incomes Tax Reform Group (LITRG) to improve and explain the tax system for those who cannot afford to pay for tax advice.

Our objectives for the tax system include:

- A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

Our internal process and safeguards (such as our [rules of engagement](#)) ensure that we remain aligned to our charitable objectives during our engagement with others.