

# Written Evidence to the Public Accounts Committee's Inquiry: HMRC Customer Service

**Association of Accounting Technicians (AAT)**

Date of submission: 15 May 2024

---

## 1. About AAT

- 1.1 AAT is the UK's leading qualification and professional body for technical accountants and bookkeepers. We have around 51,000 members in over 100 countries and approximately 70,000 students studying our qualifications.
- 1.2 Founded in 1980, AAT is a registered charity committed to increasing the availability of high-quality accountancy education and raising professional standards. We aim to advance public education, promote the study of accountancy, prevent crime, and promote and enforce standards of professional conduct for accountants.
- 1.3 Over 840,000 small businesses are supported by more than 6,500 AAT licensed members to help build the businesses' financial capabilities. AAT also helps businesses of all sizes upskill and train employees to be the business leaders of the future.
- 1.4 Our suite of qualifications is highly regarded across the profession and open to all. We help school leavers take their first steps in their career as well as thousands of career changers gain and develop new skills to equip them for careers in finance.
- 1.5 For more information, or if you have any queries on this submission, please contact Adam Harper, Interim Director of Policy at AAT: [adam.harper@aat.org.uk](mailto:adam.harper@aat.org.uk)

---

## 2. Introduction

- 2.1 AAT welcomes this new inquiry by the Public Accounts Committee into HMRC customer service, and for the opportunity to submit evidence to the committee on this important subject. AAT members, as part of the wider accountancy profession, interact with HMRC and its customer service operatives on a daily basis, and are therefore uniquely placed to share a perspective on the quality and trends with respect to its customer service offering over recent years.

---

## 3. Executive Summary

- 3.1 **The decision in March 2024 to announce the closure of HMRC's telephone lines for 6 months, only to reverse that decision 24 hours later is illustrative of the problems the tax authority is facing.** Millions of UK taxpayers are reliant upon critical telephone support, and such a significant change to HMRC's customer service access should have been better communicated, and the process as a whole, better managed by HMRC's leadership.
- 3.2 **AAT recognises that HMRC is working hard to deliver improvements and solutions, but it is hamstrung by consistent underinvestment.** HMRC urgently needs extra investment in its customer services to ensure it meets its Charter responsibilities. The trend of contending with significantly increasing demands with declining resources cannot continue.
- 3.3 **The Government should consider other solutions to reduce the burdens on HMRC.** Extra investment is essential but is not the only solution. Digitisation should be progressed without any further delays, co-designed more with software developers, and accompanied with targeted support for those who are digitally excluded. A long-term strategy for HMRC, including tax simplification and workforce planning, would also help HMRC ensure it has the workforce necessary to meet required service performance.
- 3.4 **The Government must consider what it wants the role of HMRC to be in the future and focus on those core priorities, while considering what other bodies could support remaining functions.** AAT welcomed the Government's recent proposals to require all paid-for tax advisers and accountants to join a professional body. This essential reform would enable

professional bodies to contribute much more to HMRC's compliance responsibilities, as well as alleviating the pressures on HMRC's resources to enable it to prioritise improving customer service performance.

---

#### **4. Current State of HMRC's Customer Services**

- 4.1 Effective customer service delivery is essential to meeting the Government's objectives of closing the tax gap, protecting funding for public services and improving productivity. However, HMRC's customer service performance continues to decline and remains, an area of growing concern to AAT members and the wider accountancy profession.
- 4.2 Accountants and taxpayers routinely face severe delays, business disruption, and productivity losses as a result of unresponsive and inefficient services provided by HMRC. Concerningly, the most recent Charter Annual Report for 2022/23 shows that these problems are getting worse, rather than better.
- 4.3 HMRC's Charter Annual Report showed that complaints to HMRC in 2022/23 increased by 14% when compared to the previous year. Customer satisfaction was also down by 3% and the proportion of telephone adviser attempts handled declined from 77.3% in 2021 to 71.1% - well below HMRC's stated target of 85%.
- 4.4 The 15 May 2024 National Audit Office report into HMRC's customer service<sup>1</sup> found that there was an average waiting time to get through to an adviser on the telephone of nearly 23 minutes in the first 11 months of 2023/24, up from five minutes in 2018/19. The issue of timeliness accounted for all of the increase in complaints in 2022/23.
- 4.5 If these negative trends are replicated in the next annual report for 2023/24 when it is published later this year, then urgent intervention will be required by HMRC and the Government to demonstrate what reforms and additional resources will be put in place to reverse this, and to reassure taxpayers that their affairs will be handled efficiently and effectively by HMRC going forward.
- 4.6 The moves by HMRC to improve its digital offering and move greater number of customers online is an important part of the solution, but it is far from clear that increased digital engagement will necessarily reduce the strain on other customer services, which continue to struggle against a backdrop of underinvestment and increasing numbers of taxpayers. Indeed, in 2022-23, the HMRC app and digital personal and business tax accounts were accessed 198.7 million times, increasing from 61.6 million times in 2016-17. Yet the demand for HMRC telephone and post services increased by 9% and 10% respectively on the previous year.
- 4.7 The abovementioned NAO report concluded that the move to digital services has not eased pressure on traditional services to the extent that HMRC anticipated, and that HMRC has not done enough to raise sufficient awareness of its digital services, to increase customers' confidence in using its online offering, or to understand how effectively these services meet customers' needs.
- 4.8 The decision to announce the closure of HMRC's telephone lines for six months is a symptom of the wider problem with the resourcing of HMRC's customer service functions. Restricting access to what are essential services to many taxpayers, in order to redeploy staff elsewhere, is not a sustainable solution to the challenges being faced. Whilst AAT welcomed the reversal of this decision, it is evident that longer-term solutions and sustainable measures are required to address the problems the tax authority faces.

---

<sup>1</sup> [HMRC customer service - NAO report](#)

---

## 5. The Need for Further Investment

- 5.1 AAT recognises that HMRC is working hard to deliver improvements and solutions, however continued underinvestment has significantly limited its ability to make progress.
- 5.2 In recent years, total spending on HMRC customer service has fallen sharply in real terms, and the Government proposes to reduce HMRC's budget in 2024/25 by more than 20 per cent. In addition, HMRC customer service staff numbers have been cut by 24 per cent over the past five years. The NAO report into HMRC customer service indicated that, due to budgetary constraints, HMRC will be required to cut staff numbers by 14% in 2024/25. Against this background, it is little wonder that HMRC's customer service performance continues to decline.
- 5.3 Whilst the squeeze on HMRC's resources continues, it has at the same time faced new burdens and responsibilities, with growing numbers of more complex tax inquiries, pressures caused by Brexit and the pandemic, whilst also looking to deliver major transformation projects including Making Tax Digital (MTD), which has faced its own challenges and persistent delays.
- 5.4 AAT members have become increasingly frustrated with the delays and lack of response from HMRC on a range of different queries, whether it is agent registration, claiming repayments, or chasing letters on behalf of clients, for which they often do not charge and bear the costs themselves. In particular, repayment delays are severely restricting cash flow for some businesses, especially SMEs.
- 5.5 Whilst AAT welcomed the additional funding announced at the Spring Budget to improve HMRC's debt management capacity and capability, as well as the recent announcement of an additional £51m to improve HMRC's telephone service, AAT is disappointed that no new significant, long-term funding has been forthcoming to enable HMRC to fundamentally transform its customer service offering and improve the taxpayer experience. We would urge the committee to support calls for greater long-term investment in HMRC's front-line services to reverse the worrying trend of declining service levels.

---

## 6. Further Reforms to Improve Customer Service Delivery

- 6.1 Whilst the need for extra investment in HMRC customer service resource is inescapable, there are a number of other solutions that the Government and HMRC should consider in order to reduce the burdens on the tax authority and improve its overall performance.
- 6.2 Digitisation can have a big role to play which, when delivered effectively, can reduce the administrative burden on HMRC so they can be focused more on service levels. The Single Customer Account could have enormous benefits and MTD, when it has been eventually delivered, has shown how it can greatly improve the experience of dealing with HMRC.
- 6.3 The recent and continued delays to the implementation of MTD has been deeply disappointing, and highly disruptive for the accountancy profession and tax professionals. It is essential that HMRC engages much closer with software developers to 'co-create' workable solutions and ensure the next stages of MTD are not subject to any further delays. If the programme is delayed any further, there is a very real risk that trust in the programme will be irreparably damaged, or that the technology is outpaced before it is even introduced.
- 6.4 Whilst AAT is supportive of MTD, it is not a replacement for effective customer service and there must be a dedicated resource to support those that are digitally excluded. While this vulnerable group includes elderly people, there are other vulnerable groups that HMRC should focus efforts to support, such as people with neurodiverse conditions who are disadvantaged by a digital-only solution.

- 6.5 Looking forward, the Government must also consider a long-term strategy for HMRC in order for it to plan and allocate resources effectively to ensure it can meet the expectations set by Government. Such a strategy could include a plan for how HMRC can recruit effectively over the long-term to ensure it can meet its Charter responsibilities, as well as ensuring customer services functions are resourced sufficiently to quickly adapt to surges in requests.
- 6.6 Tax simplification, not just of tax policy but also the administration of tax, should also be a core focus of a long-term strategy which could both improve customer satisfaction and compliance rates, as well as ease pressure of HMRC staff.
- 6.7 We would urge the Government to consider the fundamental purpose of HMRC and what its role should be in the future. It is important that HMRC focuses its efforts on its core priorities such as digitisation and customer service, whilst exploring how other responsibilities could be carried out in different ways by other organisations, particularly with respect to compliance.
- 6.8 Professional bodies could play a central role in ensuring accountants and tax advisers are compliant with tax rules and meet professional standards. The recent proposals by HMRC to require mandatory professional body membership for those providing paid-for tax advice is very welcome, and a positive recognition by HMRC of the role that professional bodies can play driving up compliance through heightened professional standards across the sector.
- 6.9 The introduction of compulsory professional body membership, as is already the case in over 200 other professions in the UK, would play a significant role in addressing resource constraints at HMRC and enable it to better direct resources to key areas such as customer service.
- 6.10 Members of professional bodies are required to keep their knowledge on tax legislation and practice up-to-date through Continuing Professional Development (CPD), hold appropriate levels of professional indemnity insurance, and to meet professional and ethical standards. Furthermore, if a complaint is made about a member firm, the professional body can investigate it and take necessary remedial action – including fines and expulsion from membership. Drawing more effectively on the skills and resources available to professional bodies would help stop bad actors in the profession from harming taxpayers and small businesses, as well as improve compliance overall.