House of Commons

Committee of Public Accounts

HM Revenue and Customs: Helping individuals understand and complete their tax forms

Twentieth Report of Session 2007–08

Report, together with formal minutes, oral and written evidence

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The Committee of Public Accounts

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Summary

Each year millions of people submit a tax return or other forms to HM Revenue & Customs. Helping people to provide accurate information about their tax affairs is essential if they are to pay the right amount of tax. Accurate and timely information also helps to reduce the cost to the Department of seeking information or correcting errors.

The Department spends £35 million a year on producing and distributing printed forms and other guidance. It also spends £55 million a year answering 12.5 million enquiries on how to complete forms through 13 telephone helplines, face to face meetings at 279 enquiry centres or via its website.

The Department handles over 20 million telephone calls a year from taxpayers who have specific queries about their tax affairs or need general information. Its performance in answering telephone calls has improved with 72% of calls answered within 20 seconds in 2006–07, compared with 45% in 2005–06. But it is still below the general industry benchmark of 80%.

The Department is encouraging people to use the most cost-effective method of contact that meets their needs. It plans to reduce the number of avoidable calls by improving its forms and guidance, as well as its website. This will enable more people to find information online rather than having to contact the Department directly. It estimates that it could save over £100 million by encouraging more people to use its website and online services.

The Department offers specialist help for people with disabilities and translation services for its printed material. But these services are not well advertised and the Department's staff are not always aware of them. Some enquiry centres do not have adequate wheelchair access or facilities for people with hearing difficulties.

The Department estimates that 3.3 million taxpayers filing Income Tax Self Assessment returns understated their tax by £2.8 billion in the 2001–02 tax year. Of this, around £330 million arose from unintentional mistakes by taxpayers. The Department has not estimated the amount of tax overpaid.

The Department provides accurate and complete advice in 95% of telephone enquiries. But taxpayers sometimes receive inaccurate or incomplete advice because more complicated enquiries are not always referred to expert staff. The Department does not measure the quality of advice provided face to face at enquiry centres.

On the basis of a report by the Comptroller and Auditor General,[1] we examined HM Revenue & Customs on providing information to taxpayers by telephone and online, making information easy to understand and obtain, and helping taxpayers get their tax right.

1 C&AG's Report, *HM Revenue & Customs: Helping individuals understand and complete their tax forms*, HC (2006–07) 452

Conclusions and Recommendations

1. **The Department answers 72% of telephone calls within 20 seconds compared with a general industry benchmark of 80%.** The Department's performance affects around 5 million people a year who contact the Department by telephone about their personal tax affairs. The Department should aspire to be an industry leader, aiming to match the average standards achieved by other organisations and then to achieve those of the top-performing organisations industry-wide.

2. **The Department's target to answer at least 90% of telephone callers within a day is not demanding, nor in line with industry benchmarks.** To measure its performance and set targets it should introduce recognised industry benchmarks such as the average time to answer and the percentage of calls answered within 20 seconds.

3. **Telephone callers sometimes receive incorrect or incomplete advice because they are not referred to staff with appropriate knowledge.** The Department plans to introduce mystery shopping which, together with its quality monitoring, should enable it to track the handling of the more complex enquiries. It should use the results to identify training needs and develop its guidance on referring calls, as well as assess the numbers and expertise of staff needed to match the changing volume and patterns of enquiries.

4. **The Department's website is not user friendly and falls short of the standards achieved by tax administrations in other countries.** It should improve accessibility with more effective search engine and navigation tools, including last-modified dates on webpages, and by meeting Cabinet Office guidelines on accessibility for groups such as blind and partially sighted users. It should not wait for the Direct.gov website to become available in 2011 as the main web channel for citizens before carrying out these improvements.

5. **The Income Tax Self Assessment return is the only personal tax form which can be filed online and the Department offers very restricted facilities for people to contact it by email.** Expanding its online services would offer greater choice to the public and could save the Department over £100 million. It should increase the number of forms which can be completed online and expand its use of email contact, trialling new services to ensure a reliable and good quality service. In doing this, it must continue to offer high quality telephone, post and face-to-face services for those who prefer not to use online services.

6. **Many people have to contact the Department to obtain information which should be readily available on its website in printed guidance or in letters.** The Department should reduce avoidable contact by providing sufficient explanatory information on forms, guidance and letters, such as examples of calculations and clear explanations about why tax is due, as well as by keeping its automatically-generated letters and forms up to date and relevant to people's needs.

7. **Only 10% of the Department's forms advertise the availability of documents in alternative formats for blind and partially sighted people, special telephone numbers for people who are hard of hearing and translation services.** The Department should advertise these services more widely by including details on all forms and guidance and on its website. The Department should also provide facilities for people who are hard of hearing and wheelchair access at all enquiry centres.

8. **The Department does not systematically assess the accuracy and completeness of advice given in face-to-face contact at enquiry centres, and these centres do not always tell visitors about alternative formats or translation services.** Building on the National Audit Office's market research, the Department should use mystery shopping to track how well it meets the needs of different groups of people and to assess the quality of advice it provides through its enquiry centres.

9. **In a sample of commonly used guidance leaflets, half required a reading age higher than the national average. The guidance accompanying the Department's forms is lengthy and dense, making it difficult to understand.** The Department should shorten the supplementary guidance for its forms, and make more use of plain language and worked examples, so that the information is easier to read and understand. Reducing the volume of guidance would also help the Department meet its sustainability commitments to reduce paper consumption.

10. **The Department has estimated that the level of underpayments on Self Assessed Income Tax was £2.8 billion in 2001–02, of which around £330 million may have been due to unintentional mistakes by taxpayers. It has not estimated the amount of tax overpaid.** The Department should set a timetable for producing its first estimate of overpayments. It should also identify the main reasons why taxpayers are making mistakes and publicise common errors to reduce the levels of underpayments and overpayments.

1 Providing information to taxpayers by telephone and online

1. Each year millions of people submit a tax return or other tax form to HM Revenue & Customs. For example, around 9 million people complete an Income Tax Self Assessment return each year. Helping people to provide accurate information about their personal tax affairs is essential if their tax payments or refunds are to be correctly assessed. If they are not correctly assessed, they may later face unexpected demands for tax, with interest, or they may not receive refunds of tax when they are due. Accurate and timely information also helps to reduce the Department's costs in seeking further information and chasing up or correcting forms and returns.[2]

2. There are around 40 different personal tax forms which taxpayers may need to complete at one time or another. The Department produces guidance for each form and around 60 leaflets and factsheets. It provides information through 13 telephone helplines, 279 enquiry centres and on its website. The Department spends around £35 million a year on producing and distributing printed material, and some £55 million dealing with around 12.5 million enquiries about completing forms by telephone, face to face or via its website.[3]

3. Most contacts are by telephone. Around five million taxpayers a year telephone the Department with specific queries about their tax affairs or asking for general information. In 2006–07, the Department handled 22.5 million telephone calls.[4]

4. The Department currently measures its performance against a target of answering at least 90% of telephone callers within a day. Its performance improved in 2006–07 when it answered 94% of calls compared with 81% in 2005–06. This target differs, however, from industry-wide benchmarks, which are average time to answer and percentage of calls answered within 20 seconds. In 2006–07, the Department answered 72% of calls within 20 seconds, compared with a general industry benchmark of 80% (**Figure 1**). In 2005–06, people telephoning the Department encountered engaged tones and busy messages on 60 million occasions so that, on average, callers needed to phone 4.3 times before speaking to an adviser. In 2006–07, the number of engaged tones or busy messages reduced to 11 million, so that, on average, callers needed to phone 1.5 times before getting through.[5]

2 C&AG's Report, para 1–2

3 C&AG's Report, paras 1–2, 4

4 C&AG's Report, para 2.6; Ev 13

5 Qq 3–7, 88–89; C&AG's Report, paras 2.8–2.9; Ev 13

Figure 1: HM Revenue and Customs' performance in dealing with telephone calls compared with industry benchmarks

Performance measure	HMRC performance 2005–06	HMRC performance 2006–07	Industry-wide benchmark
Percentage of calls answered within 20 seconds	45	72	80
Average time to answer in seconds	69[1]	34[1]	28
Note: Excludes 11 seconds introductory message to achieve like for like comparison with industry benchmarks.			

Sources: Q 5; C&AG's Report, para 2.8; Ev 13; Merchants Global Contact Centre Benchmarking Report 2005 and International Customer Management Institute Multichannel Contact Centre Study II 2005.

5. The Department acknowledges that it should use a range of indicators to assess its performance and it is considering alternative measures such as average time to answer. It intends to improve its performance to match that of other organisations.[6]

6. The average cost for the Department of each contact is around £4.40. Face to face meetings are the most expensive, at roughly twice the cost of telephone contacts. Obtaining information from its website is the least expensive method, but is currently the least used. The Department is encouraging people to use the most cost-effective method of contact that meets their needs. It recognises that people have different patterns of behaviour and the method that is most cost-effective for some will not necessarily be for others.[7]

7. The Department is working with other departments and agencies to implement the recommendations of the Government's report on Service Transformation of December 2006. The report concluded that telephone contact centre operating costs could be reduced by 25% across government by:[8]

- resolving 80% of enquiries on first contact so that customers do not need to call back for further information;
- reducing avoidable contact—those occasions where there is no real need for the customer to contact the departments—by 50%; and
- reducing the number of information requests handled by telephone by 50%, with the internet becoming the primary access point for all simple information and advice requests.

8. The Department's target is to increase to at least 80% by 2008 the proportion of people whose needs are successfully met at the first point of contact, whether by telephone or

6 Qq 6–7, 89

7 C&AG's Report, paras 1.4–1.5

8 Q 81; C&AG's Report, para 1.6; *Service Transformation: A better service for citizens and businesses, a better deal for the taxpayer*, Sir David Varney, HM Treasury, December 2006

other means. In 2006–07, 74% reported that they received the help or information they were seeking the first time they contacted the Department about a particular issue.[9]

9. The Department aims to reduce the number of avoidable calls when people ring the Department to obtain further information. It recognises the need to give people the right information the first time whether by telephone, on its website or by other guidance. For example, specimen calculations can help taxpayers to understand what they owe. The Department also recognises that some of its automatically generated communications are out of date.[10]

10. The Department plans to improve its website so that more people can find information online, rather than having to contact the Department directly. It estimates it could save over £100 million by encouraging more people to use its website and online services. It acknowledges that its website is not as good as those of some tax administrations in other countries.[11]

11. Most forms and guidance are available or can be ordered via the Department's website. The website contains 170,000 pages of information and people sometimes experience difficulty in finding the information they need. The Department has work underway to make it easier to find information, for example, by including 'back-to-top' links to help people navigate the website, and last-modified dates on webpages so that users know whether the information is up to date. It also plans to introduce a better and quicker search facility. The websites of some overseas tax authorities offer additional features. For example, the Canada Revenue Agency website offers a 'click to talk' feature whereby website users can directly access telephone helplines if they require additional assistance.[12]

12. The Department regards improving the website as a high priority which would require substantial investment. It is planning improvements in the context of plans announced by the Government in October 2007 for transferring the citizen and business content of most government websites to Direct.gov and Businesslink.gov by 2011. Individuals and businesses will be able to use these two websites to access a range of government services.[13]

13. The Department also operates other online services, such as filing an Income tax Self assessment. Other forms which individual taxpayers use, such as forms for inheritance tax, providing information for PAYE or determining residency status, cannot yet be filed online.[14]

14. The Department is investing £170 million in upgrading its online services following Lord Carter's Review of Online Services in 2006. That set the Department a goal of universal electronic delivery of individuals' tax returns from IT literate groups by 2012. On Self Assessment, the Department has reached its 2008 target that 35% of self assessed income tax returns are filed online. Despite disruption to the online filing service on the 31

9 Q 84; C&AG's Report, para 2.2

10 Qq 59–61, 81, 84; C&AG's Report, paras 3.9, 3.16

11 Qq 43, 81, 114

12 Qq 9–10, 38; C&AG's Report, para 2.20; Appendix 3

13 Qq 8, 38, 41; Service Transformation Agreement, HM Treasury, October 2007

14 C&AG's Report, paras 2.19, 3.18

January 2008 deadline, the Department received nearly 3.8 million online returns by the extended 1 February deadline.[15]

15. Some groups can also contact the Department by email. These include Income Tax Self Assessment taxpayers who are registered for online services and people whose queries would have been handled by the former HM Customs & Excise. The Department is reviewing how it might include other people in its email services. It is considering the experiences of other organisations in handling large volumes of email contact and the security issues involved.[16]

15 Qq 41, 76–78,100; C&AG's Report, paras 2.25, 3.18; *Review of HMRC Online Services*, Lord Carter of Coles, HMRC, March 2006

16 C&AG's Report, paras 2.26, 2.27

2 Making information easy to understand and obtain

16. Many people who contact the Department consider they get a good service. For example, 92% of people who telephoned the Department said they were satisfied or very satisfied with the ease of understanding of their response. Having well designed and easy to follow forms and information helps taxpayers to understand and meet their obligations. Some people may need additional help in obtaining information and using forms, guidance or telephone helplines. Some are blind or partially sighted, or have hearing difficulties. There are others whose first language is not English.[17]

17. If taxpayers understand the Department's forms and guidance they are less likely to make errors in the information they provide, and are less likely to contact the Department for additional help. In the National Audit Office's tests of the usability of 40 forms, one was assessed as difficult (the main inheritance tax return), six as easy and the remainder as moderate. The Department is working to improve the design of its forms. In doing so, it is taking account of the practices of other tax authorities and suggestions made by the National Audit Office.[18]

18. The Department has already introduced a shorter and simpler Income Tax Self Assessment return and redesigned the Coding Notice and the Statement of Account (which explain respectively how a tax code is calculated and the amount of tax owed). It plans to complete a review of the full Income Tax return and to redesign the Inheritance Tax form in 2008.[19]

19. Forms and guidance can be difficult to understand and use if they contain unfamiliar language. In a sample of commonly used guidance leaflets, half required a higher than average reading age. The guidance accompanying nearly all forms is in complex and heavy language with little illustration, and some taxpayers interviewed expressed concerns about the copious supplementary guidance. For example, the main Income Tax Self Assessment return is accompanied by a 35 page guidance booklet, while the 4-page short Self Assessment return has 24 pages of guidance.[20]

20. In improving its forms and guidance, the Department aims to strike a balance between using simpler language and ensuring that the information accurately reflects the sometimes complex tax legislation. It also wants to ensure that taxpayers have sufficient written information to avoid the need for telephone enquiries. It nevertheless considered that the technical information could be simplified without losing accuracy. Reducing the length of guidance would save paper and help the Department meet its sustainability commitments.[21]

17 Q 90; C&AG's Report, paras 2.4–2.6, 2.16, 2.19, 2.21, 3.13, 4.15

18 Qq 19, 21, 36; C&AG's Report, para 3.7

19 Qq 19, 21, 30–31; C&AG's Report, para 3.6

20 Qq 62, 82, 99; C&AG's Report, paras 3.10–3.13; Appendix 2

21 Qq 62, 82–84, 98–99; C&AG's Report, para 3.12

21. The Department also acknowledges that it needs to make a lot more progress in helping people whose first language is not English, and who find it difficult to understand the forms and guidance. The Department's guidance on tax issues for people arriving in the United Kingdom requires a reading age of 18. The Department offers translation services but these are not well advertised. None of the forms examined by the National Audit Office mentions the availability of translation services, and in the National Audit Office's market research only a third of visitors to enquiry centres were correctly informed that translation services were available.[22]

22. The Department offers specialist help for people with disabilities. It provides forms and guidance in alternative formats such as Braille and special telephone lines for people with hearing difficulties. All the Department's stationery states in large print the availability of alternative formats, but these services are not well advertised on the Department's forms (**Figure 2**) or website, and its staff are not always aware of services offered. Blind and partially sighted people face particular difficulties in accessing information as the Department's website does not meet Cabinet Office guidelines on accessibility.[23]

Figure 2: Advertising the services offered for people with disabilities

Percentage of forms examined that state:	
that the form is available in Braille	10%
that the form is available in large print	10%
that the form is available in other formats (audio, floppy disk, CD-rom)	0
there are helplines for people with hearing difficulties	10%

Source: C&AG's Report, paras 2.5–2.6: Figure 12; Figure 13

23. The Department faces difficulties in providing accessible services for people with disabilities but is making improvements. Of the 72 enquiry centres visited by the National Audit Office, 61 had adequate wheelchair access and 58 had facilities for people with hearing difficulties.[24]

24. Other groups also have needs that the Department should address. For example, pensioners' tax affairs are becoming more complex as they may have several sources of income, such as pensions, interest on investments and part-time employment. In general, pensioners are also less likely than other groups to use the website to obtain information and guidance. The Department is seeking to clarify the needs of different customer groups and to tailor its support, particularly for those who are more vulnerable such as pensioners. The Department recognises that some pensioners may prefer not to use online services and will be flexible in providing alternative methods of obtaining help.[25]

22 Q 105; C&AG's Report, paras 2.4, 4.15; Appendix 2

23 Qq 106–110; C&AG's Report, paras 2.5–2.6, 2.21

24 Qq 105, 107–110; C&AG's Report, para 2.16

25 Qq 19, 27–29, 44–46, 58; C&AG's Report, para 2.18; Figure 3

3 Helping taxpayers get their tax rights

25. Errors in completing the Department's forms may result in a taxpayer paying too much or too little tax, or in the Department having to do further work to correct the errors. The Department estimates that 3.3 million taxpayers filing Income Tax Self Assessment returns understated their tax by a total of £2.8 billion in the 2001–02 tax year. It has not estimated the extent of overpayments of tax but will be identifying overpayments in its random enquiry programme from 2008. However, it will take some time to complete the enquiries and finalise results, so it will be several years before the Department can produce reliable estimates of the level of overpayment.[26]

26. The Department estimates that, of the £2.8 billion understatement of tax, around £330 million arose from unintentional mistakes by taxpayers rather than more deliberate errors. It plans to use this analysis to develop a strategy to reduce taxpayer error. It will seek to reduce unintentional errors by redesigning forms and improving all of its communications material. For example, online forms incorporate a number of automatic checks to prevent mistakes.[27]

27. Taxpayers often contact the Department with questions about their tax obligations or for advice on how to complete forms. The Department assesses the accuracy and completeness of information it provides by telephone and achieved a 95% rate of accuracy in 2006–07. Despite this, the National Audit Office mystery shopping exercise identified various topics on which staff provided incomplete or incorrect information.[28]

28. The Department gives contact centre staff up to ten weeks' initial training and a standard online operating guide to help them provide consistent and accurate information. It also carries out routine quality monitoring with staff to help them understand and correct errors that they make. It accepts that there are areas for improvement and it plans to re-run mystery shopping exercises to identify and address errors and inconsistency.[29]

29. The Department trains all telephone contact centre staff to answer most queries. It estimates that over 90% of questions can be handled by frontline staff. More complicated questions should be referred to more expert staff. In the National Audit Office's mystery shopping exercise, most callers who should have been transferred to specialists were not. The Department recognises that frontline contact centre staff must know when to refer questions to someone with greater technical knowledge and has recently reminded staff when this should happen.[30]

30. Taxpayers can also obtain face-to-face advice at the Department's 279 enquiry centres. The Department has not set a target for the accuracy and completeness of advice provided at these centres. Enquiry centre managers regularly observe staff interviews with taxpayers

26 Q 11–15, 68; C&AG's Report, para 3.3

27 Q 48, C&AG's Report, para 3.4

28 Q 32, 33, 90; C&AG's Report, para 4.11; Ev 13

29 Qq 32–34

30 Qq 22, 35, 49–51; C&AG's Report, para 4.12

to assess the quality of advice given, provide feedback and coaching for staff, as well as to identify common themes that need to be addressed. The Department is looking at ways of introducing more systematic measurement of its performance.[31]

31 Q 104; C&AG's Report, para 4.13

Formal Minutes

Monday 28 April 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Angela Browning
Mr Ian Davidson
Mr Philip Dunne
Mr Nigel Griffiths
Mr Keith Hill
Geraldine Smith
Mr Don Touhig
Mr Alan Williams
Phil Wilson

Draft Report (*HM Revenue and Customs: helping individuals understand and complete their tax forms*), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 30 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Twentieth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 30 April 2008 at 3.30 pm.

Witnesses

List of written evidence

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Second Report	Department of Health: Prescribing costs in primary care	HC 173 (Cm 7323)
Third Report	Building for the future: Sustainable construction and refurbishment on the government estate	HC 174 (Cm 7323)
Fourth Report	Environment Agency: Building and maintaining river and coastal flood defences in England	HC 175 (Cm 7323)
Fifth Report	Evasion of Vehicle Excise Duty	HC 227
Sixth Report	Department of Health: Improving Services and Support for People with Dementia	HC 228 (Cm 7323)
Seventh Report	Excess Votes 2006–07	HC 299
Eighth Report	Tax Credits and PAYE	HC 300
Ninth Report	Helping people from workless households into work	HC 301 (Cm 7364)
Tenth Report	Staying the course: the retention of students on higher education courses	HC 322 (Cm 7364)
Eleventh Report	The compensation scheme for former Icelandic water trawlermen	HC 71 (Cm 7364)
Twelfth Report	Coal Health Compensation Schemes	HC 305 (Cm 7364)
Thirteenth Report	Sustainable employment: supporting people to stay in work and advance	HC 131 (Cm 7364)
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Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 7 November 2007

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon	Dr John Pugh
Mr Philip Dunne	Mr Don Touhig
Mr Austin Mitchell	Mr Alan Williams

Mr Tim Burr, Deputy Comptroller and Auditor General, National Audit Office, was in attendance.

Mr Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

HM REVENUE & CUSTOMS: HELPING INDIVIDUALS UNDERSTAND AND COMPLETE THEIR TAX FORMS (452)

Witnesses: **Mr Paul Gray CB,** Chairman, and **Mr Nick Lodge,** Director, Customer Contact, HM Revenue & Customs, gave evidence.

Q1 Chairman: Good afternoon, welcome to the Committee of Public Accounts. Today we are considering the Comptroller and Auditor General's Report on *Helping individuals understand and complete their tax forms.* We welcome back Paul Gray, who of course is the Chairman of HM Revenue & Customs. Good afternoon.
Mr Gray: Good afternoon.

Q2 Chairman: Would you like to introduce your colleague?
Mr Gray: Yes, with me today is Nick Lodge, Director of our Customer Contact Directorate, who mainly oversees the staff in our contact centres, our enquiry centres and a few other of our customer-facing functions.

Q3 Chairman: Thank you. I would like to ask you first about the time it takes to answer people's telephone calls, if I may. This is dealt with in paragraph 2.8, which we can find on page 13. You have helpfully given us a note. The average "wait before call answered" in the year 2006–07 is 45 seconds, is that right?
Mr Gray: That is right, Mr Chairman.

Q4 Chairman: In fact, if you look across industry as a whole, apparently the average wait is 28 seconds; so you are not doing very well, are you? Forty-three seconds is quite a long time to hang about at the end of the phone with no answer, is it not?
Mr Gray: It is a fair time. Industry comparisons are sometimes not quite like-for-like. The 28 seconds you quoted for industry generally does not include in its definition any initial messages once the caller phones in, whereas our 43/45 seconds includes the initial message they are greeted with.

Q5 Chairman: How long is your initial message?
Mr Gray: About 11 seconds on average. So we are a few seconds this year ahead of that industry average but we are in pretty much the same bracket.

Q6 Chairman: So, including your initial: "Hello, how are you, we want to get your money off you" sort of stuff, you are going to get it down to the industry benchmark, are you?
Mr Gray: That is our aim, if not better.

Q7 Chairman: You are going to use the industry benchmark on average time in future, are you, rather than your own?
Mr Gray: We do use the industry benchmark at the moment. I do not think we have a benchmark of our own. We are aiming to do at least as well as the industry average, and, if we can, to better it.

Q8 Chairman: Good. Thank you very much. What about your website? This is mentioned on paragraph 2.25: "The Department recognises that it needs to improve its website . . . ." The website is not really particularly consumer friendly, is it?
Mr Gray: It could certainly be improved, Mr Chairman. Compared with other websites for similarly complex organisations, it is not in great shape, but we are, as was brought out in the Report, committed to introducing large numbers of improvements.

Q9 Chairman: Would you accept that the search engines are somewhat underpowered, as people try to find their way around what is obviously a complex website?
Mr Gray: That is one of the particular areas we are looking to improve.

Q10 Chairman: You are looking to improve that as well.
Mr Gray: We are looking particularly to improve the search facility because we have a lot of material. At the moment there are 170,000 pages of content on the website and obviously having as good a search capability and as quick a search capability is something we need to do.

Q11 Chairman: Let us look at how much people overpay as well as underpay on tax payments. This is dealt with in paragraph 3.3. You estimate that: "3.3 billion taxpayers or around one third of those filing self assessed income tax returns understated their tax by a total of £2.8 billion . . . " Fair enough, you know by how much and of course you do quite a lot of work on this to work out how much people understate. Why do you not know by how much people overpay in tax to you?
Mr Gray: Up until this point in the random enquiry process which we use, which is the source of the data quoted in that paragraph, we have not in the past identified the overpayments as well as the underpayments. We are now putting in place arrangements in the random enquiry programme from next year, so that we will be identifying the overpayments as well as the underpayments.

Q12 Chairman: I think this is a very serious point. I think us taxpayers can deserve to feel a bit irritated about this. If you look at the previous paragraph, it states: " . . . the Department identified and corrected 0.9 million minor errors and queried a further 11,000 returns, resulting in £9 million of additional revenue and £13 million of repayments to taxpayers." It would seem that in this one sample of 11,000 returns there was as much as £13 million of repayments. There are about nine million returns, are there not?
Mr Gray: On self assessment, yes.

Q13 Chairman: I worked out that we, your customers, could be overpaying you as much as £4 billion and you are not really making a great deal of effort to find out by how much we are overpaying you. Why should we be overpaying you by £4 billion? It is our money, after all.
Mr Gray: You are grossing up that relatively small sample, but clearly it is likely to be a significant figure, which is why—

Q14 Chairman: All right, if it is not £4 billion, what is it? Is it £1 billion or £2 billion or £3 billion?
Mr Gray: As I said to you in reply to the last question, we have not been measuring it up until this point. I quite accept the point you were putting to me that we should be doing this in an even-handed way, which is why we will be introducing that form of measurement. This year we will be starting to do a similar sampling exercise but we will build the estimate into our formal random enquiry process.

Q15 Chairman: When we next look at this, this will all be in place? We can have confidence in the system.
Mr Gray: Given the time lags between the random enquiry process and the date to which it relates and when we have the results, it will probably take us several years to get to a fully mature state, so it depends when we next discuss it, Chairman.

Q16 Chairman: Forgive me if I am labouring this point, but us taxpayers think that you seem to be very proactive in working out how much we are underpaying you but you have been quite lackadaisical in working out by how much we have overpaid you.
Mr Gray: We are talking here about aggregate estimates of underpayments and overpayments. That does not mean or imply that in our routine work we are not looking actively, where there are inaccuracies either upwards or downwards, to put them right.

Q17 Chairman: Anyway, I think you have worked out by now that I take a particularly close interest in this matter.
Mr Gray: Indeed.

Q18 Chairman: I hope our Report will reflect this. Let us look at the complexity of the tax system. The tax system is complex. Would you accept that statement?
Mr Gray: I think in any advanced economy, such as ours, you have a pretty complex tax system, yes.

Q19 Chairman: How are you going to make it easier for us to understand your forms and guidance and all the information you give us? Let us look, for instance, at paragraph 3.12, where we know, for instance, particularly capital gains is very complex. Often pensioners have very complex tax returns. They are trying to find a way around this guidance on the website and the rest of it, so how are you going to make it easier for us to understand what is going on?
Mr Gray: We have a large programme of work in place to seek to improve the design of our forms. I think you are raising two separate questions: one is the design of the tax system and the second is how we seek to operate it in a way to be as customer friendly as we can.

Q20 Chairman: There is no point me putting the question to you about how you are going to make the tax system less complex if you simply refer that to the Chancellor of the Exchequer. I have tried that one before. I am asking you how you are going to make it more consumer friendly. Presumably you would accept that the tax system as defined by the Chancellor of the Exchequer is perfect in every single respect.
Mr Gray: I am charged to administer that as effectively and in as customer friendly a way as I can.

Q21 Chairman: Exactly. We want you to make it easy for us to understand what is going on.
Mr Gray: As part of that we have a major programme underway of regularly reviewing and redesigning our forms. We have introduced in recent years a number of significant improvements and

simplifications. For self assessment we introduced in 2005 a very much shorter form which meets a large number of people's needs. This coming year we are introducing a new main form for self assessment which will involve significant simplification of the design of the form. In all of this we are seeking to take into account the valuable help and guidance that the NAO gave us during the course of this study.

Q22 Chairman: Thank you. If you look at paragraph 4.12, with reference to a very small sample it says, "We also found that 19 out of 24 callers who should have been transferred to more expert staff members were not." That worries me because it means that there may be many people who need expert advice who are not finding it.
Mr Gray: It is certainly an issue that arose during the course of this study. It is something we are focused on. Getting the right balance in our contact centres between having people who can answer a good range of questions from people and as against the need to hand them on to more specialist members of staff, is not an easy balance to strike. We know from our customer research that customers do not like being bounced around from one person on the phone to the next one to the next one, but I quite accept, in the light of this finding, that we do need to do more to make sure that where there is a particular specialist inquiry we do get the handover to the more specialist member of staff right. The sample showed we are not perfect in that.
Chairman: Thank you very much. Richard Bacon.

Q23 Mr Bacon: Mr Gray, before I get on to questions about the forms themselves, you very kindly answered my question about EDS last time on 10 October—in fact very fulsomely, considering your limitations, which you did explain. You said in your public reply that you had had a number of meetings with EDS. Since it is now nearly a month since, has anything since happened that you can tell the Committee about?
Mr Gray: There is nothing significant further to report. But I mentioned to you in that reply last time, Mr Bacon, that, following those recent meetings, there had been agreement to introduce some new arrangements from the beginning of the next calendar year. I am confident that they will be put in place. As I said to you last time, if I deem the need for any further contact with EDS over that matter I will not hesitate to initiate it.

Q24 Mr Bacon: And please be assured that I will not hesitate to ask you this question each time you see us.
Mr Gray: I would be very disappointed if we did not have this conversation every time!

Q25 Mr Bacon: I knew you would be, which is why I continue with it! I regard it as one of the very few pieces of sport that I get to ask you this question each time you come before us and you come before us pleasantly often from my point of view. Finally on this subject: I would not expect your Department to have prepared the replies yet but are the replies in process to the questions asked about pension payers? You may recall that I sent in some written supplementaries.
Mr Gray: Indeed.

Q26 Mr Bacon: Particularly small payments. This was a point of the Low Incomes Tax Reform Group. That is in train, is it?
Mr Gray: Yes, we have that work in hand and I will have it with you very shortly.

Q27 Mr Bacon: Thank you very much. I would like to ask about pensioners now, back on the subject of this Report. They are, by definition, a group of people who tend to have more complicated tax affairs, because their income will come from a variety of sources: it might be the old age pension, it might be a company pension, it might be a private pension that they have saved for and a variety of other possible sources, including rental income from property and so on. It is a curious characteristic of pensioners that they both have more complex tax affairs and are more likely than average to have a low income, that they are less likely than average to be able to access the internet or even to know how to use a computer—and that is not to say that all pensioners cannot but there are many who cannot. How do you balance those two, to make sure that this group of people who are quite vulnerable but who have, in some cases, more complex tax arrangements, do not fall foul of your processes?
Mr Gray: One of the ways in which we are trying to move the way we manage the business is to get much more focus on the needs of those different broad customer groups. As you rightly say, pensioners are a growing group in the population as a proportion of the total and, on average, their affairs are becoming rather more complex. Traditionally, it would be fair to say, the majority of pensioners—not all pensioners—have relatively simple affairs, but, as you say, more and more are having a range of different pensions, a small pension and other payments.

Q28 Mr Bacon: My point is that it does not necessarily mean they are rich.
Mr Gray: No, absolutely.

Q29 Mr Bacon: They might have a few dribs and a few drabs and that makes it complex.
Mr Gray: And it does mean that all of them fall near the various thresholds between different rates of tax and so on which does make them potentially vulnerable to inaccuracies in payment. We are seeking to increasingly tailor the way in which we deal with people, to identify pensioners and other vulnerable groups and to tailor the way in which we provide our support to recognise those issues. Indeed, in the last hearing to which you referred just now, we were talking about a particular exercise that we went through last year for retirement annuity contracts where we put in place a specialist team in one of our offices in the Midlands to be in touch with people, pensioners, to try to make sure that we were getting those particular categories of relatively small annuity payments right in their codings.

Q30 Mr Bacon: The inheritance tax form is one of the most difficult. We have recommended in the past that the inheritance tax form should be made simpler. Given the recent changes to inheritance tax, a lot of people were quite surprised to find that the changes recently proposed were already available if one were to go through the trouble and expense of appointing a lawyer to draft the appropriate arrangements for one's work. Ought it to be necessary, in order to take advantage of the lawful arrangements that obtain, for a "normal" taxpayer to go to a lawyer?
Mr Gray: I think you are quite close, Mr Bacon, to asking me a policy question about inheritance tax which—

Q31 Mr Bacon: I absolutely do not want to ask you a policy question. I am just curious that a set of arrangements exists and obtains, which under the law you can benefit from and you have obligations under, and yet those arrangements, whatever they are for the time being, appear to be sufficiently complicated that a group of the population who are well enough off to hire advice can take advantage of them and another group who are not cannot. That is not a policy question; it is a policy about complexity and a question about fairness. Should it not be possible to take advantage of whatever the existing arrangements are? I am not talking about for billionaires and people who have huge wealth and very complex tax affairs; I am talking about for the "normal" person? Should it not be possible to complete one's tax affairs without having to resort to buying the advice of a lawyer?
Mr Gray: I think where we try to address that question is in offering comprehensive guidance to people about the regimes. On the particular point that you are raising, of course, following the change announced in the Pre-Budget Report that will be available to people generally. Indeed, in the redesign of the inheritance tax form which we will be rolling out next year, an element will be included for people to make that particular provision.

Q32 Mr Bacon: This may be a question for Mr Lodge. I would like to ask you about the accuracy of the advice given in contact centres and, indeed, over the phone. This is referred to in figures 12 and 13 on pages 26 and 27. For example, someone phones up and says, "I'm a pensioner and would like to claim back tax on building society interest." Nine out of 12 advisers correctly offered to send callers the form—so that was the expected response: the Department's expects advisers to do that—and three did something else. Over the page, in figure 13 we see: "Seven out of 12 visitors were given a telephone contact number (the response expected by the Department)"—and this was in response to an enquiry: "I have bought a house and plan to rent it out. What sort of expenses can I claim?"—and the other five were referred to relevant alternative information. In relation to another enquiry: "My mother has just retired. Can she claim back on her building society interest?" we learn that "Two out of 12 were given the number of the taxback helpline (the response expected by the Department). In the remaining cases, the advisers answered the query there and then and/or provided the relevant literature." Plainly sometimes the member of staff will not give the "expected response" but will nonetheless be able to deal with the problem, but some do not or they do something different. It increases the chance of inconsistent advice being given if you do not have a standard response to a standard type of enquiry, does it not? What are you doing about that to increase the proportion of the same? Even nine out of 12 means that a quarter of callers are being given advice different from that expected by the Department and in many cases it is much higher than that.
Mr Lodge: We make sure that our advisers have a standard operating guide available to them online in an effort to address the very point you make, to ensure consistency of advice to customers including in the areas to which you refer. Nonetheless, equally you are quite right in saying that there have been occasions here, in the mystery shopping exercise carried out as part of the NAO's investigations, that revealed that in one or two places we did not get the advice right.

Q33 Mr Bacon: How much time is there for staff training to make sure they know how to find the advice online?
Mr Lodge: If somebody comes to us new, then they will have up to ten weeks of training before they start to talk to a customer on the phone. We carry on that training as part of our normal course of business throughout the time that an adviser is with us. So people are trained, there is quality monitoring that is carried out as a matter of routine, there are daily sessions with staff to make sure that they understand any errors that come to light and which are being made so that they can be advised of those. Our internal quality checks for our PSA objectives show an overall quality of around 95%. Our customer satisfaction surveys tell us that 92% of our customers are either satisfied or very satisfied; nonetheless there are clearly areas for improvement, as revealed in the work that NAO did, and we are going to continue to re-run these kinds of mystery shopping exercises so that we can pick them up and make sure we address them—as we have, indeed, in these cases already.

Q34 Mr Bacon: You mentioned ten weeks. I found to my astonishment that DWP staff were not allowed to give advice on a particular benefit unless they had had a 13-week training module on it. Constituents of mine were being told, "I can't talk to you about child tax credit, I can only talk to you about income support, because I haven't done the module." Mr Gray made the point earlier about having a relative degree of expertise across a wide range. Presumably, it is the case that for 97% of enquiries an individual adviser could deal with nearly all of them with a broad degree of expertise. Is your training tailored to make sure that everybody gets up to a reasonably high level, so that the first point of contact is the one where nearly all inquiries can be dealt with?

Mr Gray: Nick can answer on precise figures here, but, yes, we are trying to make sure before anybody goes live on the phone that they have a reasonable level of knowledge and expertise. But we are deliberately not relying on what is in people's heads: as with other forward-looking contact centre operations we increasingly use online guidance and a key part of the training is to make sure that people can navigate the guidance, all of which is designed to get that consistency that we were talking about just now. Another key bit of the training and guidance is trying to strike this balance between a sensible proportion of questions to aim at which all of our frontline contact centre staff can handle and the proportion they need to hand on to more specialist staff. Getting that balance right is an art rather than a science.

Q35 Mr Bacon: Is it 80:20? Is it 97:3?
Mr Gray: Nick, can you say something on the overall numbers?
Mr Lodge: I cannot give you a precise number but it is closer to 97% than it is to 80%. We would expect our frontline advisers to be able to handle the vast majority of the questions and enquiries that they get and, indeed, to carry out the transactions that we carry out over the telephone. The issue that I think came out most strongly in the NAO Report is making sure that people equally know when they need to refer that particular enquiry to somebody with greater technical expertise. That is the area that we have been addressing following the NAO Report.
Mr Bacon: Thank you very much.

Q36 Mr Mitchell: I wonder if part of the problem is that our tax forms—and perhaps the system—are more complicated than those in comparable countries. You have comparisons with Canada and Australia and New Zealand. It has always struck me that the tax forms in New Zealand are very simple and straightforward compared with the self-assessment form here. Would that be the cause of a problem?
Mr Gray: I think there are always things we can learn from some of our international counterparts to make things better and easier but, on self assessment, two years ago we introduced a major simplification of the form with the short tax form. That is merely four pages and very straightforward to handle. One of the measures that the Chancellor announced in the Pre-Budget Report the other week will make it a lot easier for people to fill in self-assessment forms; for example, for the self employed he doubled the threshold under which people can just put in three-line entries for their income rather than having to produce full accounts. So I think we are trying to address simplification of the system and, progressively, over time, get better at form design, but, learning from what other tax authorities are doing and comparing notes with them is certainly something we do all the time. Other tax authorities sometimes try to learn things from us.

Q37 Mr Mitchell: I hope so. You do not feel our system is more complicated than theirs.
Mr Gray: Overall, I do not think so, no.

Q38 Mr Mitchell: In Appendix Three there is a comparison of the websites. Clearly you want more people to pay and that is another assessment in this way. Under "Details of the difference between the Department's website and comparator sites" our system provides "breadcrumb trails"—whatever they are: they sound like something for the birds. "The Australian and Canadian sites have a last modified date on each page"—so you know how up-to-date the information is—and "'back-to-top links' to help navigate around"—so they are easier to navigate. "Some overseas tax authorities use the website as a portal to other forms of contact." Your website appears to be deficient in those respects.
Mr Gray: I think in those particular respects we are behind some other tax administrations and we are looking to catch up on them. We acknowledged during the course of this study that there is very significant scope for us to improve our web design. We have major programmes in train to seek to address some of those issues. In terms of the links with other sites, one of the major changes that we are introducing following my predecessor David Varney's Report: *Transformational Government* is to use two Government sites: *Directgov* for individuals (which is now going to be managed by DWP on behalf of the whole of Government) and "*Business Link* (for which we in HMRC have now taken the overall ownership and coordination for from the old DTI). We are looking to offer businesses and individuals the opportunity to use those umbrella websites to access a whole range of different government services across the whole of one department and across a range of departments.

Q39 Mr Mitchell: This was the *Service Transformation* Report rationalising Government websites and providing information.
Mr Gray: That is right.

Q40 Mr Mitchell: As well as bringing them all under one umbrella.
Mr Gray: Yes.

Q41 Mr Mitchell: Is that the reason why it has taken so long to revise your site?
Mr Gray: No. We think that is a sensible thing to do because some of the more technical changes, to which you referred earlier in your question, are things which we are working on and I would not say one exercise is making the other more complicated. Given the scale of our operation, we are talking about very major investments here. We are currently investing about £170 million in upgrading our online services generally, following Lord Carter's Report on how we should make greater use of online, and to make the sort of technical improvements to our websites we are talking probably of about some tens of millions of pounds of investment. I am obviously having to manage those demands on resources against others, but it is a high priority for us to make these improvements.

Q42 Mr Mitchell: For a high priority, the review does seem to be going fairly slowly. Particular problems have been emphasised. I have just looked at navigating around the site. Why is it so slow to review this site?
Mr Gray: I am not sure that I accept that it is so slow.

Q43 Mr Mitchell: The site has been under review for some time and it is not finished yet.
Mr Gray: Web services are going to be in a state of transformation for many years to come. We have a certain amount of catching up to do to get up to best commercial and overseas practice in our web services. We all know, given the speed of technological change in this area, that when we have made those changes there will be other changes to make, because this is an area of very rapid technological change.

Q44 Mr Mitchell: One area where it is not going to be particularly helpful, it seems to me, is in the problems of pensioners. They even come to me, and I am a total ignoramus about tax measures. It is complicated for people, particularly those with two or three occupational pensions or those with national savings or whatever, and pensioners are less likely to use the websites, are they not? They much prefer the personal filling in of a form. Is it possible to simplify the tax affairs of pensioners? It seems to me that with some benefits tax is deducted and with some it is not and therefore there is a very complicated balancing act and in many cases a need to reclaim tax paid of things where it is already taken out. Is this not the key to the problem of pensioners?
Mr Gray: I am not sure it is the key to the problem.

Q45 Mr Mitchell: It would simplify matters.
Mr Gray: Like Mr Bacon, I think you are almost asking me a policy question here about the design of the tax system.

Q46 Mr Mitchell: Yes, I am. Are there a lot of problems caused by the fact that at least in some cases tax is deducted and in other cases it is not deducted? Would their life not be easier if there was a common practice?
Mr Gray: I think our job is to make as clear as we can to people what the treatment is, whether it is gross or net, and to offer guidance and support that helps people navigate their way around that. On the issue of pensioners which you have mentioned, yes, it is true the data shows that a smaller, although rapidly growing, proportion of pensioners use these services. That is why in our channel strategy work we are looking to be flexible about providing different types of service to different customer groups and, although we certainly do want to increase the proportion of online activity overall, we are sensitive to exactly the point you are talking about.

Q47 Mr Mitchell: You do not think it would be helped by a special pensioner form.
Mr Gray: In relation to some aspects of pensions there are special forms where there are particular tax arrangements, but for the generality of pensioners they are part of the general income tax system and I think the better approach is to make sure that within our overall forms we are making it easier for all types of taxpayer to navigate their way through them.

Q48 Mr Mitchell: Under self-assessment, one-third of people underestimate their tax obligation. It says in the Report that in only 10% of the cases is that by mistake. How do you know?
Mr Gray: That statistic or that estimate came from a special exercise we carried out and which we are now going to carry out regularly at the request of NAO as part of this study: where we identify in our random enquiry programme that there are inaccuracies, to try to attribute, if you like, intention to that inaccuracy. That 10% estimate represented the view of our review team as they went through the cases, looked at what had happened and reached a judgment, and, inevitably, it was judgment about what motivation or lack of motivation lay behind the inaccuracy. Where it is clear it is unintentional, we are committed, through the redesign of our forms, through the improvement of all our channels of service, to try to make it more difficult for people to make unintentional errors and a lot of the things we are redesigning are designed to do just that. One of the big advantages of online services for pensioners as well as for everybody else is that there are many more automatic checks in the system. You cannot proceed through the website. It stops you making mistakes in a way that a free-form handwritten form does not build in those checks and balances.

Q49 Mr Mitchell: Looking at paragraph 4.12: "19 out of 24 callers who should have been transferred to more expert staff members were not." Are there more expert staff members in the same centre or does it have to be referred outside to another centre if they need more expert advice?
Mr Gray: I will ask Nick to add to this in a minute but I think it is a combination of the two. As we have said in response to earlier questions, that proportion of calls that ought to have been transferred to more technically qualified staff is something we have been looking to address in the light of this finding, but I think I am right in saying that some of the technical advice will be available within the contact centres and some of the even more technical advice may be to staff who are located elsewhere. Nick do you want to add anything to that?
Mr Lodge: We have technicians, people who are more technically adept and more experienced, within our contact centres, so that our frontline advisers can, if they need to do so, refer calls to those technically knowledgeable people. As Paul has said, we have taken very seriously the finding in this report and we have already reminded all of our staff of those occasions when they should be referring calls for more technical advice, because obviously it is very important that they do so.

Q50 Mr Mitchell: The first category could be dealt with in the same call: it can still be transferred to somebody more expert in the same centre. The second category presumably would have to result in another call.

Mr Lodge: It varies. Sometimes, even if the call could be transferred within the contact centre location, there may not be a technician available, so the person calling may have to be called back. Sometimes, if the call has to be referred outside the immediate contact centre environment there is somebody available; more often than not, you are quite right, in that case the customer would need to be called back, yes.

Q51 Mr Mitchell: You cannot say what proportion those are. It is just infuriating to have to make another call, that is all.
Mr Lodge: We recognise that it would be far better on every occasion if somebody had their issue dealt with there and then. We are in fact reviewing the technical support that is available as part of responding to the point that has arisen which you have mentioned—the 19 out of 24 not being referred—to make sure that we have the resourcing right, so that more often than not, or more often than happens now at least, we can make sure the call is dealt with there and then. But that is not necessarily the case at the moment.

Q52 Dr Pugh: Can I start on a slightly technical question. In order to access the website, you need to use obviously a web browser. There is a range of web browsers on the market and one of the more popular ones and certainly one of the cheaper ones and one of the more secure ones is a web browser called Firefox, an open source browser. I am told it does not have full functionality on your website. Is that correct?
Mr Gray: I am afraid I am not in a position to give you a technical answer to that.[1]

Q53 Dr Pugh: Could you look into it?
Mr Gray: Can we take that one away?

Q54 Dr Pugh: You would probably accept, would you not, that if you have to use a particular web browser you are limiting the functionality of the website as well as advantaging the company that produces that particular web browser?
Mr Gray: And, in general, we are extremely keen to encourage the use of open source software, so, yes, I accept your suggestion.

Q55 Dr Pugh: According to the Report, 95% of people are answered on the day they phone, 5% are not. I looked at that statistic and I thought it was really quite impressive, in a way, because there must be some people who phone up at 4.50 pm on a Friday and things like that who cannot really expect to get through and that would also apply to certain times of the year: September 30 was when the world and his wife were probably phoning the tax office. Could it realistically come up above 95%? Is that simply what you must accept in any circumstance, big enough as it is?
Mr Gray: Realistically it could because it is not 95% every day, sadly. There certainly are some days—deadline days on particular exercises—

Q56 Dr Pugh: There is always going to be some percentage of people who phone too late in the day and cannot rationally expect a call.
Mr Gray: That is true. There is basically a kind of balance of cost against service here. Realistically we could get it up above that level. We could get it near to as close as 100% but it would be at very considerable cost because we would be having to gear up to make sure we were covering all peak points during the day and, particularly, your end of year point.

Q57 Dr Pugh: It sounds very damning does it not: "I couldn't get through all day" or something like. People do say things like that to be highly critical. The NAO says in paragraph 12a of the recommendations: "More of the helplines should make use of a recorded message telling callers that information can be obtained from the website." Normally when I phone up and I get a recorded message recommending the website, I am inclined to take that as almost an insult, because I would have gone to the website in the first place if I had thought it would have the answer. Are you on board with that advice or do you think the NAO should put forward a solution which, although it might be economically rational, would frustrate many of your customers?
Mr Gray: As a general proposition I was happy to accept the recommendation, but, as on many of these things, you need to get the balance right. I rather share your personal instinct that getting an excess of recorded messages when one is trying to get through to a real person to talk to can be frustrating. However, there does seem to be evidence that we get a significant number of callers who could have had their needs reasonably satisfied via the website and, as part of, if you like, a relatively gentle channel-switching activity on our part, I think it is a reasonable suggestion for us to take on board.

Q58 Dr Pugh: By phoning up, people are expressing a preference, in a sense, for dealing with the matter by phone.
Mr Gray: Indeed, they are. That is the challenge in channel management, where there are cost and effectiveness advantages in encouraging people to move channels. We are up for encouragement, but I think it is quite easy to take that too far, where it becomes over-restriction of choice.

Q59 Dr Pugh: In terms of reducing the number of phone calls you have, I recently filled in my self-employed tax form, like a lot of MPs—very late in the day, I have to say—submitted it and then received a very sparse little note saying that I owed you more tax than I thought I did. My response to that was "You know what you're doing." I am afraid Mrs Pugh's response was slightly different on this

[1] *Note by witness:* Although it is primarily for individual website users to choose browser software which best meets their needs and the functionality of the web services they intend to use, the Department is taking steps to ensure that its online services are accessible to a wide range of internet users, and aims to provide services that are usable through their browser of choice in the vast majority of cases.

issue and assumed I had not filled in my forms properly. I was on the verge of looking into it but I noticed on the form there was very, very little information telling me why I owed this tax. I left it a few days and received another piece of paper from you which said I owed you absolutely nothing—so I did very well with it—but, had there been more information on the original documentation explaining why I owed more tax, I would not have phoned up at all because I would have known you were right or I would have known it was contestable and phoned up. Why in these circumstances is there so little information which means much to the punter?

Mr Gray: I am not sure I can give you a precise answer to that one without looking at the forms.

Q60 Dr Pugh: Or breaching confidentiality.

Mr Gray: I appreciate the point behind your question that some of our communications at the moment—and I imagine this probably was a system-generated communication rather than a handcrafted letter—

Q61 Dr Pugh: It was remarkably unenlightening.

Mr Gray: Some of our communications are rather out of date, using rather out-of-date software. We have not got around to making the improvements which we need to make.

Q62 Dr Pugh: In the NAO Report it says that the reading age of the population is substantially below that required to read the form. In your defence I thought you do need to get these forms accurate: you cannot express yourself in a vigorously colloquial way if it leads to inaccuracy and so there is a trade-off between simplification and accuracy. Could you realistically make the forms more simple, or is the easier task improving the reading age of the population?

Mr Gray: Happily I am not responsible for that latter leg. Again I think there is a balance, Dr Pugh. It is clear we can do better on the clarity of our forms and we can get things nearer to being plain right without running the risk of them becoming plain wrong or plain inaccurate. We are putting a lot of effort into regularly reviewing the forms, seeing whether we can pitch them at that lower reading age while keeping them accurate. I think there is a limit to that process. Depending on the inherent design of the piece of tax law we are talking about, there is a risk that we need to be mindful that we could try to produce stuff in such plain English that it tipped to the inaccurate side rather than the accurate side.

Q63 Dr Pugh: In terms of the advice people get offered, tax offices, by and large, are being not decommissioned but broken down into different sorts of units—I think it is called the Lean system, is it not?—whereby an individual section of a tax form is analysed by one person for tax, the particular section time and time again and maybe not the whole form, and when people phone up with complex tax problems or problems that have not been solved in the normal way by the forms it is possible that different bits of their document may need to be referred to but different bits of their document have been processed in different ways. Is that going to complicate the whole process? Is there some assessment of the Lean process whether it does deliver better problem solving as well as more efficient processing?

Mr Gray: Certainly in all the Lean activities we are introducing we are building in evaluation to make sure it is taking us in the right direction. I am not unduly concerned about the potential dilemma you are posing. The whole point about introducing more efficient mechanisms is to try to get the whole end-to-end process both more effective as well as more efficient. That is what is driving us. When somebody has a query on their form, if they phone up they will typically come through to a contact centre agent. They are not the people who are doing the process; that is done in the back-office function.

Q64 Dr Pugh: Will that contact agent be specifically trained? I did look at it in the context of the phone numbers on you website today and I did phone a few—a mystery shopping exercise—and found that they were indeed answered fairly promptly.

Mr Gray: You were answered!

Q65 Dr Pugh: I was answered fairly early on in the process. The problem you have, though, concerns the level of expertise you are there plugging into. Is the person I am talking to a specialist in the field which relates to that contact number, say a pension enquiry or a self-employment enquiry? Or are you these people the sort who get moved around all over the place?

Mr Gray: It depends on the particular helpline that you phoned up. We have a large number of helplines, many of them are rather specialist. Not all of them are in the operation that Nick Lodge runs; they are specialist bits of other business units. There you will tend to get the technical specialist.

Q66 Dr Pugh: They are Inland Revenue staff, not outsourced.

Mr Gray: Indeed they are.

Q67 Dr Pugh: Are there any plans to outsource them?

Mr Gray: No. If you ring the general contact centres you will get people not who are moved around all over the place but trained contact centre agents, in the way Nick Lodge was explaining earlier on. The balance we are trying to strike there is to get the right amount of general training/access to online guidance to deal with the 90% or so of calls we want to be handled by that first point of contact, but with the appropriate hand-off to more technical specialists.

Q68 Mr Touhig: Mr Gray, the Chairman and Mr Mitchell referred to paragraph 3.3, page 17, where we are told that 3.3 million taxpayers or around one third of those filing self assessed income tax returns understated their tax liability by a total of £2.8 billion in the 2001–02 tax year"—and your Department thinks that was an underestimate. How much of that do you expect to get?

Mr Gray: We get a significant proportion of that through our compliance activity. I cannot give you a precise number. We are certainly talking about many hundreds of millions of pounds we get back but, whenever we identify through those exercises that there has been an underpayment, we obviously pursue the taxpayer.

Q69 Mr Touhig: How long do you think that would take? We are talking about £2.8 billion here and you think that is probably an underestimate.
Mr Gray: This is a regular process that we are going through the whole time. With each annual exercise we are doing compliance activity and compliance checks and seeking to pick up underpayments. This particular exercise is looking back at the year some years back, to try to give an accurate statistical view of what the aggregate underpayment would have been if we had not undertaken compliance activity.

Q70 Mr Touhig: Do you ever make a provision for write off—that you are just not going to get it in?
Mr Gray: In relation to income tax, we are not making a specific provision in our accounts but this is part of the so-called "tax gap"; that is, the difference between the amount of tax that we assess should be payable and the amount we are collecting. This is a characteristic which all fiscal authorities face.

Q71 Mr Touhig: Could you perhaps provide us with a note, looking back at that £2.8 billion, as to how much you are getting and you reckon you have had back in and how much you think you might have to provide for the tax gap.[2]
Mr Gray: We will do our best. Given the way in which that exercise was run, I am not sure we can do it in relation to that particular calculation but, certainly, on your general point of trying to give you an assessment, indeed, we published in the Pre-Budget Report for the first time various bits of data to try to indicate the rough scale of the tax gap.

Q72 Mr Touhig: It is a colossal amount, £2.8 billion. If the exchequer loses £2.8 billion because of wrong information supplied by taxpayers, should you not question whether self assessment is the right way to be doing it?
Mr Gray: I do not think this is an issue that is limited to the self-assessment system.

Q73 Mr Touhig: Before we had self assessment did you have this kind of tax gap?
Mr Gray: I think there has always been a significant tax gap.

Q74 Mr Touhig: Would you have any information you could tell us about?
Mr Gray: We have regularly published detailed information on our estimates of the tax gaps for indirect taxes—indeed, this Committee has had hearings in the past about the estimated gap on VAT, oils, spirits and so on. Precisely estimating the tax gap on direct taxes is a much more difficult technical exercise because there are not two bits of comparative data that you can easily track and take the difference on. With indirect tax, because we have from the ONS estimates of consumption for the products that we are taxing and we obviously have our data about the amount of tax we are collecting, we can fairly readily, by subtraction, work out the gap, but on direct tax there is not that kind of availability of data.

Q75 Mr Touhig: But this degree of tax gap, £2.8 billion in 2001–02, does not cause you to think—and I do not want to stray into policy here—that we ought to be looking at another way rather than self assessment?
Mr Gray: No. This is not the result of self assessment; it is the result of the general difficulty, however you administer it, of fully collecting all the direct tax that is due because not everybody goes out of their way to make sure that they pay us what is due.

Q76 Mr Touhig: I see you are spending £170 million in the next five years developing your website. What exactly will you be spending that on? Have you trialled any measures before you do it?
Mr Gray: The bulk of the £170 million is not on the website as such but on the provision of online services. This is the ability for taxpayers of various sorts to do their business with us online. All of this follows the report Lord Carter did and the recommendation about the extent of the speed with which we should be introducing online facilities.

Q77 Mr Touhig: Have you trialled any of this? Is it appropriate to trial some of this? The Government's record on IT systems is not brilliant, is it?
Mr Gray: We have indeed trialled it. A number of our programmes are proceeding extremely successfully on self assessment. We had a target to get the online take-up to 35% by March 2008. We reached 35% a year early, and I am anticipating we will be well over 40% in the current tax year, so we are progressively rolling out these systems. I think they are operating generally extremely well.

Q78 Mr Touhig: This is not going to be a colossal waste of money in a few years time, with another NAO Report, is it?
Mr Gray: No. I think we are seeing in a great majority of these areas that we are very successfully delivering good returns on those investments.

Q79 Mr Touhig: You closed the tax credit system website in December 2005 after it was attacked by criminals. We do not really have a great record with IT systems.
Mr Gray: We closed that online facility not because there was a technical IT problem with it working but because we reached the judgment that it was not sufficiently secure against fraud and error. Therefore we are not going to reopen it until we are satisfied we have put in place the—

[2] Ev 14–15

Q80 Mr Touhig: 2008 is your date to open, is it?
Mr Gray: We do not have a precise date. Our key criterion is to make sure it would be safe for people before we open it.
Mr Touhig: There does seem to be a problem though, does there not, about IT systems? I tabled a question to the Chancellor of the Exchequer about your tax credit IT system on 29 October, asking how many recorded instances of failures of the IT system that deals with working tax credits there had been in the last 12 months. The Financial Secretary replied to say that the information is not available in the format requested. If you cannot get a simple answer to a simple question—but perhaps that is for me to pursue elsewhere.
Alan Williams: Try asking it in Welsh!

Q81 Mr Touhig: Perhaps I should. While I commend your Department's work in reducing the average time to answer calls—and I really do commend it because I had a problem with a telephone bill recently and I can tell you that over five days I spent 148 minutes ringing BT about a bill query and never once was the phone answered, so you are certainly way ahead—in December 2006 the *Service Transformation* Report stated that monetary savings of a staggering 25% could be made across government departments in improving their telephone call centres. Have you looked at this report? Do you think there is anything there that you could learn to improve your rate even further?
Mr Gray: We are certainly looking to learn. Nick wants to add something to this.
Mr Lodge: We are working with other government departments and indeed local authorities as part of the new Contact Council to implement recommendations from the *Service Transformation* Report which I think is where you have drawn that recommendation from. The key elements which you have just touched on are to reduce by 50% avoidable contact and to migrate 50% of contact seeking purely information from contact centres to the website. That is in large measure what gives rise to the large savings quoted in Sir David's report. So, yes, we are looking at that. We have been looking at the extent to which people phone us where that contact is avoidable, for example—and this was touched on earlier—at improving our forms and our guidance so that people do not have to phone us in the first place, and of course we are looking, as we have said already, at improving our website so that more people can use the website rather than other channels of communication.

Q82 Mr Touhig: That might help with one of your targets which I will briefly refer to because we are running out of time. We read on page 19 in the Report that: "The main Income Tax Self Assessment return is accompanied by a separate 35 page guidance booklet" with extra forests of guidance on pages for the taxpayer's needs to fill out any supplementary pages. Your Department's sustainable development policy and plan lists as one of its objective "the reduction of paper consumption". You are joking, are you not?
Mr Gray: We are not joking. Increasingly, in self assessment, we provide people with the parts of the form and the parts of the guidance they need, so we encourage people to indicate which categories they need to fill in and we only send them those pages. On the guidance, we do want to reduce the guidance, not least for environmental reasons but also to simplify things, but we have to strike the right balance between giving people the information they need to try to avoid inaccuracy while not wasting paper.

Q83 Mr Touhig: Thirty-five pages of guidance is a lot of guidance, Mr Gray.
Mr Gray: In relation to the whole of the income tax system, we are looking to drive that down, but I do not think it is excessive. But we are looking to reduce it steadily while not giving up on accuracy in the process.

Q84 Mr Touhig: One in four people who have telephoned you have had to ring back to get further information, so you do have a bit of an information gap there. You are providing so much information on paper and, at the same time, people are finding it difficult to get accurate information.
Mr Gray: We are trying to get better at getting the right balance in giving people the right information in the right format to reduce those avoidable calls, as Nick was just saying.

Q85 Mr Touhig: You are definitely green?
Mr Gray: We are aspiring to be greener.

Q86 Mr Dunne: Mr Gray, when did the contact centre strategies start within HMRC?
Mr Gray: I wonder if I can pass that question to Nick.
Mr Lodge: I would have to check and if I get this wrong I will correct it afterwards, if I may, but I believe we ran our first pilots in one of the predecessor departments, Inland Revenue, in around 1995.

Q87 Mr Dunne: By 2005–06, you had been running contact centres for over ten years?
Mr Lodge: If I am correct on the date, then it would have been about ten years.
Mr Gray: They are not on the scale we are running them over that full period.

Q88 Mr Dunne: Okay, it built up over that period, I accept that. How would you characterise the performance in 2005–06 when—if I have read this table seven on page 14 correctly—the average taxpayer had to try to get through nearly three and a half times before they succeeded in making a call through the contact centre? How do you characterise that performance after ten years of operating contact centres?
Mr Gray: As I was saying to Dr Pugh, I characterise it as trying to get the right balance between resourcing our contact centres within affordable means and offering reasonable levels of service to people. We have heard from your colleagues today that our relative performance is perhaps rather better than some of our competitors.

Q89 Mr Dunne: I would characterise it as hopeless. The postbag I have had from advisers helping taxpayers to try and see their way through the complexity of their forms suggests there is considerable frustration out there amongst the professionals who seek to interact with HMRC. Clearly it has got better over the last year, I recognise that and I applaud you for that, but to take the target referred to by Mr Touhig on paragraph 2.9 on page 13, it has a target which allows you to achieve your target if people get through during the course of the day, it is not a very demanding target if you start telephoning at nine in the morning and you still have not answered it by five in the afternoon, because I assume you are talking nine-to-five hours. That is not a very demanding target, is it?
Mr Gray: That happens to be the target we were set and have been operating to over this last period, but we are also increasingly looking at other measures, like the average waiting time on calls, so that we are targeting not just can you get through at any point during the day, but in relation to any one call, on average, what is the performance. I quite accept your point that we need to have a range of indicators and measures.

Q90 Mr Dunne: Do you have any way of measuring success in solving a problem when somebody makes a call?
Mr Gray: We have two measures, both of which Nick referred to briefly earlier. One is we have our internal quality assessment process where we have a large sample of calls checked by our quality assessors, and that is currently running at a figure of about 95% quality achieved. In terms of a more qualitative view of do our customers, taxpayers, feel they are getting decent service, then we are on the most recent figure of 92% expressing themselves satisfied or very satisfied. That is several points ahead of the general industry average, which tends to be in the high eighties.

Q91 Mr Dunne: What sample survey do you do to get that feedback?
Mr Gray: I think we contract this out to an opinion research organisation. We do not do it ourselves, we commission somebody to do it independently for us.

Q92 Mr Dunne: That is a general survey of the population at large rather than targeted to people who are frequent users?
Mr Gray: Nick, can you add something on what the criteria are?
Mr Lodge: This is a survey of people who have phoned up our contact centres, and the way the sample is drawn up is that people are asked at the start of the call whether they would mind taking part in a survey. That general population then goes through to the independent company who phones them most often the week after they have had contact with us so it is still fresh in their minds. They run through a series of standard questions with them and then produce benchmark reports for us month-on-month, quarter-on-quarter and year-on-year.

Q93 Mr Dunne: That sounds like a fair sampling. How do you calculate how many callers are unable to be dealt with by a first contact and whether or not they have success in getting their query answered by a second call, a third call or a call back? Do you do call backs?
Mr Gray: We do call backs, which was the discussion we were having earlier with your colleagues. Where there is a technical point being raised and the contact centre agent feels they cannot deal with it satisfactorily, they try to pass it on immediately to a technical expert, but if they are not available then our standard practice is to offer a call back rather than expect the person to have to initiate another inward call.

Q94 Mr Dunne: That is standard practice, did I hear that correctly? You said your standard practice is to offer a call back?
Mr Gray: If one agent cannot get hold of a more technical colleague, then we will offer a call back rather than expecting a call in. Is that right, Nick?
Mr Lodge: Indeed, or in some cases where the enquiry has to be referred to the office which holds the paper file, for example, in those cases most often that office will call the customer back.

Q95 Mr Dunne: Thank you. I am going to hold you to that when I am next contacted by one of my constituents who has had a very different experience.
Mr Gray: We are going to have lots of mystery calls here!

Q96 Mr Dunne: On a totally separate point, can you tell me how many individual reference numbers an individual taxpayer would have in his dealings with Revenue?
Mr Gray: I am afraid I cannot off the top of my head. It could be several and I suspect it rather depends on the complexity of their tax affairs, but can I offer you a note on that? [3]

Q97 Mr Dunne: I would appreciate it if you would write a note about this because clearly most people use their National Insurance number and that covers the vast majority of simple cases, but in complex cases, my understanding is there is a relatively large number of different numbers which could be used. It would be very helpful to the Committee and it might help you improve your services.

[3] *Note by witness:* For taxpayers as individuals, the dominant number is the National Insurance Number or NINO. This is the key reference for employment issues, tax credits and student loans. It is also widely used as a reference for other sources of investment and trading income for individuals, including the Construction Industry Scheme, alongside the Unique Taxpayer Reference. The taxpayer will also have a tax district reference. Beyond that, the number of references an individual will need to use will depend on the roles he or she adopts from time to time. For example, an individual may have a PAYE reference number and an Accounts Office number for returns relating to his or her employees and payment of PAYE, a Capital Taxes Office reference if he or she is handling an estate subject to inheritance tax, a VAT Registration number for a business, or a trader number for imports.

Mr Gray: We will try to answer that as to where we are today. What we are increasingly looking to do is to integrate our systems in such a way that we increasingly move towards a unique identifier which acts as a gateway to the others. As far as individuals are concerned, the National Insurance number is the key.

Q98 Mr Dunne: Thank you. Referring to paragraph 3.13, I would like to congratulate the NAO on coming up with this SMOG, Simple Measures of Gobbledegook, which is the first time I have come across it and I congratulate you for finding it. Does the HMRC use SMOG as a means of reducing the gobbledegook within its forms?
Mr Gray: It is one of a number of readability tests which I think we refer to over time. We do not uniquely use it. Like all systems, it has its advantages and disadvantages. What we are seeking to use is a range of tools and feedback mechanisms to test the readability and degree of understanding of our material.

Q99 Mr Dunne: Over half the forms surveyed by the NAO failed the test of readability unless you have got GCSE English, which currently, I regret to say, only a minority of the population have. The question is what can you do to try and make more people who have to fill in self-assessment forms do so?
Mr Gray: We are facing the balancing act, which Dr Pugh was asking me about earlier, of trying our best, and I am sure there is scope for us to handle technical things more simply, more straightforwardly in readable ways, but recognising at the margin we may have an awkward trade-off between the degree of simpleness of the language we are using and ensuring we are getting accuracy rather than simplifying so much that we do not get the sense over.

Q100 Mr Dunne: Mr Touhig also touched on Lord Carter's review, looking at your on-line targets for on-line returns. It is my understanding that Lord Carter is looking for a universal on-line submission of returns by 2012. Is your target to get 100% on-line returns by 2012?
Mr Gray: Following the Carter Report we have got a whole range of different targets on different timescales for the different products and taxes. They are at their most aggressive in relation to large corporate customers. In relation to individuals and smaller enterprises, they are on a steadier timescale recognising the bigger challenges. Whether we will get to 100% of on-line services of everybody by 2012, I am not sure we will be quite there.

Q101 Mr Dunne: You told us that your target was 35% by March 2008 and you have already achieved that a year early. Do you have specific benchmarks for individual self-assessment returns for each year running up to 2012?
Mr Gray: No, we do not at this stage.

Q102 Mr Dunne: How far out do you go?
Mr Gray: At the moment we only have an explicit target which was set under the 2004 spending settlement for the period up to March 2008. As we move forward, as part of the target-setting process, we will be considering and discussing with the Treasury whether we should extend explicit quantified targets. As I say, we are feeling pretty pleased that on that measure of our on-line services we are ahead of the current target.

Q103 Mr Dunne: The present Comprehensive Spending Review, which was published last month, does not include specific targets for that.
Mr Gray: At the time of the Chancellor's statement last month we published the broad areas under which targets would be defined and set, but we still have not agreed with the Treasury, and will not be publishing probably until next spring, the precise measures which will feature in our targets and indicators, but obviously this is one of the issues we will be considering in that context.

Q104 Chairman: Why don't you set a target for the accuracy and completeness of advice given by enquiry centres—this is mentioned in paragraph 4.13 on page 25: "Staff at enquiry centres also seeks to resolve queries . . . "—but as you do not measure their performance, you will not know what is going on? How can you be confident they are doing their job?
Mr Gray: I think we are trying to measure their performance on the measure I was discussing just now with Mr Dunne around our internal assessments of the quality of responses being offered, so I think we are doing that. [4]

Q105 Chairman: Do you think you give a good service to people with disabilities on your website, for instance with reading difficulties?
Mr Gray: We are seeking to give an increasingly good service. I think most large organisations, ourselves included, have faced challenges around accessibility for disabled customers and others. We are reasonably pleased with the progress we have made but we know we have got a lot more progress to make on that.

Q106 Chairman: If you are doing so well, why does it state in paragraph 2.5: "We found it difficult to find information about the service on the Department's website and only 10% of the forms examined stated the availability of large print or Braille"?
Mr Gray: Chairman, I said I thought we were doing reasonably well—

Q107 Chairman: It does not sound like you are doing at all well to me.
Mr Gray: — and that we had a number of areas in which we needed to improve.

[4] *Note by witness*: It was subsequently established that the accuracy and completeness of advice given by staff in HMRC F2F Enquiry Centres is not included in the measure referred to. In line with NAO's recommendation however, HMRC have now set up a specific project to establish how they can further develop the way they monitor and measure the quality, consistency and correctness of advice provided by F2F advisers. HMRC expect the conclusions and recommendations to from the project to be available by March 2008

Q108 Chairman: For instance: "All the Department's stationery states in large print the availability of alternative formats", so if you can do it on the stationery, why can you not do it on the website?
Mr Gray: We can do and that is what we are putting in place.

Q109 Chairman: Are you going to do it now?
Mr Gray: Not immediately, but as part of our programme—

Q110 Chairman: It does not sound very difficult to me.
Mr Gray: I think the range of things we are doing cannot all be done overnight. They all attract a cost label and we need to prioritise them. We quite accept, and did do during the course of this study and in the report, that we need to improve those things.
Chairman: "None mentioned the availability of other formats", so I think there is a lot of work you can do on this.

Q111 Mr Dunne: Do you keep a register of complaints from members of the public?
Mr Gray: Yes, we do, but we are just in the process of revamping our arrangements there to make sure that across the Department as a whole we have a co-ordinated view of complaints and, indeed, compliments, of which we get some, and that we ensure we draw appropriate learning and lessons from them. That is an area where we can do better than we have in the past.

Q112 Mr Dunne: Has the level of complaints been rising or declining since the development of contact centres?
Mr Gray: Off the top of my head, I am not sure I can give you a figure back over the full 10-year period or so. I have no sense that during recent years where the amount of contact centre activity has been growing rather rapidly we are facing an increasing trend of complaints. [5]

Q113 Mr Dunne: Would you be able to give us a quick note on the numbers of your complaints?
Mr Gray: Yes, we can certainly do that.

Q114 Chairman: How much do you expect to save by making more use of the Web? This is mentioned in paragraph 1.6, page nine, but it does not come up with any firm conclusion.
Mr Gray: Frankly, it depends on how far we get in terms of shifting people on to using the Web and on-line services. We are probably talking about the potential for probably three figure millions of savings available, but we are looking to adopt a measured approach to encourage people to shift in that direction rather than moving towards aggressive mandation that you cannot use other channels like the telephone, our enquiry centres and so on.

Q115 Chairman: I strongly support that. I find it wrong to force people on to the Web myself. That is my personal view. Is it your view? I think it is from what you have just said, more or less.
Mr Gray: Chairman, to force, those are your words, I merely quote them back to you. I agree with you on that. I strongly think that encouraging people to move in that direction as long as they are able to do so is perfectly reasonable.

Q116 Chairman: Polite encouragement?
Mr Gray: Polite encouragement, which, of course, is our standard throughout.
Chairman: Yes, of course, the friendly taxman! Mr Gray, Mr Lodge, thank you very much. It has been a pleasure having you both.

[5] Ev 15

Letter from Chairman, HM Revenue & Customs to Committee Chairman

In advance of the hearing, I thought it might be helpful to the Committee if I provided some updated figures that have become available since the publication of the NAO Report in April.

Ref in NAO report		*NAO Report 2006–07 10 mths to end Jan)*	*Year end 2006–07*
para 2.8	Average wait before call answered	43 seconds	45 seconds
para 2.8	% Calls answered in 20 seconds	73%	71.90%
para 2.9	Callers answered on day	95%	94.40%
para 2.9	Number of busy/engaged	10.3 million	11 million
para 2.8 fig 7	Calls handled	18.5 million	22.5 million
para 4.8	Accuracy and completeness of telephone advice	94%	95%

UPDATED SURVEY RESULTS

Paragraph 3.6 gives figures from the 2005 Annual Customer Service Survey for the ease with which customers say they understand and can complete some key forms. We now have the corresponding figures from the 2006 survey:

	NAO report (based on 2005 Survey)	*2006 Survey*
Para 3.6 1st bullet	"85% per cent of taxpayers who said they found the SA tax return easy to complete"	87%
Para 3.6 2nd bullet	"just over three quarters found the coding notice easy to understand"	79%

TELEPHONE HELPLINES

	Figures quoted in the report from the rolling survey of contact centre customers	*Figures to the end of Q2 2007–08*
Para 3.22	92% of callers to taxes helplines were satisfied with the ease of understanding of their call	94%
Para 3.22	86% were satisfied with the usefulness of the response received.	87%

Paul Gray CB
24 October 2007

Supplementary memorandum submitted by HM Revenue and Customs

Question 71 (Mr Don Touhig): *Could you perhaps provide us with a note, looking back at that £2.8 billion, [understated Self Assessment Tax liability] as to how much you are getting and you reckon you have had back in and how much you think you might have to provide for the tax gap*

Details about figures on tax losses, and other additional information can be found in Developing Methodologies for Estimating Direct Tax Losses, a technical document published alongside the Pre-Budget Report on 9 October 2007, available on the HMRC website:

www.hmrc.gov.uk/pbr2007/mdtl-direct.pdf

The figure of £2.8 billion given on in Table 3.1 of that document is an estimate of the understatement of tax liabilities on 2001–02 Income Tax Self Assessment (ITSA) returns and is based on the ITSA random enquiry programme. As with any statistical estimate it is subject to a degree of uncertainty.

Table 3.1

LOSSES IDENTIFIED FOR ITSA RETURNS (£ BILLION)[2]

	1999–2000	*2000–01*	*2001–02*
Losses due to incorrect returns	2.4	2.7	2.8
Compliance Yield[1]	0.4	0.4	0.4
Non-payment	0.1	0.1	0.1
Total tax losses identified	2.1	2.3	2.5
Total tax liabilities	19.6	19.8	19.2
Proportion of liabilities (per cent)	11%	12%	13%

[1] Enquiries settled during each year
[2] Figures rounded to the nearest £0.1 billion. As a result components may not appear to sum.

Recovery of all understated liabilities would involve work with many millions of taxpayers and would not be cost effective; instead HMRC's strategy is to focus its compliance work according to the level of risk in each case.

Question 112 (Mr Philip Dunne): *Has the level of complaints been rising or declining since the development of contact centres*

We do not believe that there is a correlation between the introduction of HMRC contact centres and the level of complaints. The attached table sets out the number of complaints received over the last 10 years. The most recent data shows a 7% decline—at a time when HMRC contact centres underwent significant expansion.

HMRC has gained several major new responsibilities over the period. As would be expected, the volume of contacts has risen in consequence and also the numbers of complaints. There were two new major responsibilities introduced. The merger between the Inland Revenue and National Insurance Contributions Office in April 1999, which resulted in an additional 10,000 complaints, and the introduction of new tax credits from 2003 onwards.

Other factors that have influenced the volume of complaints received include the measures introduced by the Inland Revenue and Customs to improve access to their complaints systems. Better signposting for customers as a result of improved customer service can lead to more complaints. Customers know where and how to complain. The Citizens Charter, which set out standards customers can expect, was also introduced at this time. HMRC believe that these and the general expectations and attitudes to challenging poor service are key reasons why complaints numbers have risen.

Complaints about HMRC contact centres do not make up a significant proportion of the overall number of complaints—only 4% last year.

Year	*IR*	*CE*	*HMRC*	*Total*
2006–07			99,139	99,139
2005–06			106,783	106,783
2004–05	87,214	6,540		93,754
2003–04	68,700	7,478		76,178
2002–03	42,000	9,472		51,472
2001–02	37,000	11,885		48,885
2000–01	42,000	10,501		52,501
1999–2000	48,000	6,182		54,182
1998–99	37,000	5,412		42,412
1997–98	34,000	5,140		39,140
1996–97	28,000	4,339		32,339

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