



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

David Varney  
Chairman Revenue & Customs  
1 Parliament Street  
LONDON SW1A 2BQ

7 April 2005

Dear David,

## **REMIT FOR HM REVENUE & CUSTOMS**

I am writing to set out the first annual remit for HM Revenue & Customs, covering key new and ongoing tasks.

I shall write to you every year to set out the general direction and priorities for Revenue and Customs over the coming twelve months, as recommended by the O'Donnell review. Your Departmental Minister is the Paymaster General and you will be accountable through her to Parliament for the delivery of this remit, which will be monitored through established reporting processes including appearances before the Public Accounts Committee and the Treasury Select Committee, with a summary of progress in your Annual Report and a review of outcomes in your Spring Report.

Revenue and Customs' aim, as set out in your Public Service Agreement, is to administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements.

You will need to deliver your existing and new targets within the agreed spending settlement, while making the necessary progress towards your commitment to realise £507 million savings by 2007-08, including a net reduction of 12,500 full time equivalent posts.



I will also expect to see the necessary progress towards your commitment to relocate 1950 posts by 2007-08 and 4,250 by 2009-10.

Key deliverables over a 3-year timeframe are set out in your Public Service Agreement (PSA), and progress towards these objectives should of course be a priority in the course of this year.

This is your final year of reporting against your existing PSA targets to 2005-06, which are set out at Annex A to this letter. Maintaining focus and delivering against these objectives on compliance, service, value for money and e-services is important as you continue work to establish HMRC and start to deliver against new joint objectives.

Annex B sets out your new PSA objectives for the years 2005-06 to 2007-08, including the underlying targets that have been agreed with the Chief Secretary.

Revenue and Customs should also begin to focus on key objectives for the medium term, in preparation for Spending Review 2006, emerging from the developing vision for the future of HMRC. In the course of moving towards fully integrated organisation and processes, you will need in particular to:

- Conduct a thorough review of powers, to ensure the right tools for the department's future and the right safeguards for taxpayers, taking forward consultation as announced in the Budget; and
- Develop and agree with HM Treasury stretching but realistic targets for reductions in administration costs imposed by the tax system on small businesses, including a baseline against which progress will be publicly measured, consistent with the principles and objectives set out in the Hampton Report on reducing administrative burdens, the Better Regulation Task Force report *Regulation – Less is more*, and your own small business consultation document *Working towards a new relationship*.

The policy delivery agenda this year is a substantial one. In particular, Revenue and Customs must successfully administer the Child Trust Fund,



continue to develop, with in partnership with the Treasury, the Lorry Road User Charge, and prepare for the introduction of the new construction industry scheme.

Alongside the creation of HMRC, the Revenue and Customs Prosecution Office will be established. It will be important to establishing a strong working relationship with the new body. HMRC will also continue to work towards the establishment of the Serious Organised Crime Agency.

I also expect Revenue and Customs this year to work to strengthen the good working relations established during 2004-05 with the new tax policy teams in HM Treasury, as well as working with Treasury teams more broadly wherever necessary, maintaining proactive contact to ensure that policy development reflects evidence and experience from the front line, as well as the creative, evidence-based policy ideas of your staff.

I look forward to working with you over the coming year. I am copying this letter to the Chairs of the Treasury Select Committee and Economic Affairs Committee, and placing copies in the Libraries of both Houses.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gordon Brown', with a long, sweeping underline stroke.

**GORDON BROWN**



## **Annex A – Current PSA targets to 2005-06**

### **Inland Revenue:**

**Aim:** Administer the tax system fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements.

### **OBJECTIVES AND PERFORMANCE TARGETS**

**Objective 1: To collect the right revenue, and give the right entitlements, at the right time.**

1. Deliver improvements in the number of individuals and businesses who comply with their obligations and receive their entitlements
2. Deliver reductions in compliance costs of small businesses
3. Ensure by 2005 that 100% of services are offered electronically, wherever possible through a common Government portal, and promote take-up for key services

### **Value for Money**

4. Achieve annual efficiency savings of at least 2.5% a year until March 2006, without detriment to accuracy or customer satisfaction.
5. Achieve a 2.5 point improvement in customer service by March 2006, as measured by an annual customer service index.

### **HM Customs & Excise:**

**Aim:** Administer the indirect tax and customs control systems fairly and efficiently, and make it as easy as possible for individuals and businesses to understand and comply with their obligations.

### **OBJECTIVES AND PERFORMANCE TARGETS**

**Objective 1: To collect the right revenue at the right time from indirect taxes and to improve the level of compliance with customs and statistical requirements.**



1. By 31 March 2006 reduce illicit market share within the excise regime to no more than:

- 2% for oils in England, Scotland and Wales;
- 17% for tobacco; and
- reduce the scale of VAT losses to 12% or less of the theoretical VAT liability.

2. To improve customer service by:

- Ensuring by 2005 that 100% of services are offered electronically, wherever possible through a common Government portal, and take-up for key services of at least 50% by March 2006; and
- Delivering reductions in the costs of compliance for businesses.

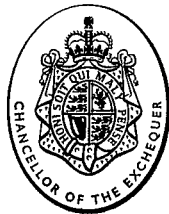
**Objective 2: Reduce crime and drug dependency by detecting and deterring the smuggling of illegal drugs and other prohibited and restricted goods.**

3. Reduce the availability of illegal drugs by increasing:

- the proportion of heroin and cocaine targeted on the UK which is taken out;
- the disruption/dismantling of those criminal groups responsible for supplying substantial quantities of class A drugs to the UK market; and
- the recovery of drug-related criminal assets.

**Value for money**

4. Make productivity gains of at least 2.5% a year, without detriment to accuracy or customer satisfaction.



## **Annex B – New HMRC PSA targets from 2005-06 to 2007-08**

**AIM:** Administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements.

**Objective I: Improve the extent to which individual and businesses pay the amount of tax due and receive the credits and payments to which they are entitled.**

1. By 2007-08, reduce the scale of VAT losses to no more than 11% of the theoretical liability.
2. By 2007-08:
  - reduce the illicit market share for cigarettes to no more than 13%;
  - reduce the illicit market share for spirits by at least a half; and
  - hold the illicit market share for oils in GB at no more than 2%.
3. By 2007-08, reduce underpayment of direct tax and NICs due by at least £3½ billion a year.
4. By 2007-08, increase the percentage of individuals who file their SA returns on time to at least 93%.

**Objective II: Improve customer experience, support business and reduce the compliance burden.**

5. Respond accurately and completely to requests for advice:
  - By 2007-08, increase to at least 80 per cent the proportion of individuals and businesses who said they achieved success at first point of contact;
  - By 2007-08, increase to at least 90% the accuracy and completeness of information and advice given and actions taken in respect of contact.
6. Provide simple processes that enable individuals and businesses to meet their responsibilities and claim their entitlements easily and at minimum cost:



- By 2007-08, increase to at least 90% the proportion of small businesses that find it easy to complete their tax returns;
- By 2007-08, demonstrate a measurable improvement in new and growing businesses' ability to deal correctly with their tax affairs. This will include increasing the proportion of applications for VAT registration that are complete and accurate to at least 50%;
- By 2007-08, increase to at least 85% the proportion of individuals who find their SA Statements of Account, PAYE Coding Notices and Tax Credit Award Notices easy to understand.

7. Deal effectively and appropriately with information provided, so that levels of contact are kept to a minimum:

- By 2007-08, increase to at least 95% the rate of accuracy achieved in administering SA, PAYE, Tax Credits, and NICs.
- By 2007-08, increase to 35% the percentage of SA tax returns received on line.
- By 2007-08, increase to 50% the percentage of VAT returns filed online.

**Objective III: Strengthen frontier protection against threats to the security, social and economic integrity and environment of the United Kingdom in a way that balances the need to maintain the UK as a competitive location in which to do business.**