



HM Revenue
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Dear Ms Morgan,

Thank you for your letter of 4 June about Making Tax Digital for VAT (MTD). I appreciate your Committee's continued interest in the new service which has helped us shape our approach to implementation. The roll-out is progressing well for the large majority of businesses. There are now over 350,000 using the service, with thousands more joining every day, and there have been over 230,000 VAT returns submitted successfully.

We recognise that MTD represents a significant change for some businesses and their agents. We are committed to delivering these changes in a way that works for all. Our support model is designed to guide customers to the most appropriate help for their particular needs; whether through HMRC, a software developer or their agent. Our HMRC offer ranges from basic support such as signposting to online guidance for digital services, webinars and YouTube videos through to more intensive one to one support. We used the pilot and feedback from stakeholders to test and expand our help and support (over 90,000 businesses had joined the pilot by March this year). We continue to refine our support offer in response to feedback from customers and agents.

I am aware that some callers have experienced extended waiting times on our VAT helpline. This falls short of the standards of service we want our customers to experience. I'd like to reassure you that we have been working hard to bring the waiting times down and improve performance. In the last week we have started to see positive results from that, with waiting times falling to around our target of 5 minutes. It is too soon to be confident that we have resolved the issue, and we continue to monitor it very closely.

You asked about calls that are terminated and how these are reflected in our performance data. We monitor closely the number of calls that are terminated both by the caller before they reach an adviser and by HMRC because lines are busy, to inform operational decisions to optimise our service. This data is not reflected in our Average Speed of Answer performance indicator, which measures the time from the end of the recorded announcements until the call is answered by an adviser, or the speed of answer performance indicator that measures the percentage of calls answered by an adviser after a wait of more than 10 minutes.

You asked why calls are terminated by HMRC instead of giving customers the option to wait in the queue. In order to manage customer experience and minimise their costs, checks are made to determine if there are sufficient advisers available with the necessary skills to answer calls in an acceptable timeframe; if not, we play a busy message and disconnect the call. This is common industry practice to manage peaks in demand. These busy messages are also used to manage the flow of calls at the end of each day. We provided a detailed description of how we route our customer calls and the number of calls terminated by a customer in the 2017/2018 Annual Report and Accounts (Technical Note "*How demand is changing and how we route customer calls*"), a [link to which is here](#).

You also ask for disaggregated data for the VAT lines and I have enclosed data for January to May 2019.

HMRC's telephony performance has been impacted by ongoing recruitment and staffing shortfalls. Recruitment for a no deal EU exit was slower than expected, and so we had to divert resource from business as usual in February and March. This meant that some of the people earmarked for training on MTD were diverted onto the government's operational priority of no deal. Since the EU exit extension was agreed in April, we have been training staff on MTD and increased numbers to those originally planned. We have doubled the number of people taking VAT helpline calls from 100 in March to more than 200 now, and extra staff are being deployed to match call peaks. Productivity levels have increased as newly trained staff have gained experience of this work. We are beginning to see performance levels improve and aim to achieve at or around our 5-minute monthly average speed of answer target and maintain this thereafter ensuring normal service for the first significant quarterly filing deadline for MTD on 7 August.

I am sorry that some customers have not received promised call-backs. I can confirm that we attempt to call all customers back. On average, we conduct between 60 and 70 call-backs each day on MTD queries. Customers requesting a call-back are called on two separate occasions, and our success rate for getting through is 87%. On occasions where we are unsuccessful in reaching the customer, a note is left on the customer's record so that, when they make contact again, the correct advice can be given.

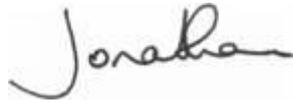
We are developing a new way of measuring performance which will give a better and more rounded view of customers' experience of contacting us. We will start to publish some of these new measures from July 2019 onwards.

You also advised that the Committee has received feedback about some MTD customers having experienced issues with paying their VAT by direct debit, and that in some cases their online account showed no payment was outstanding even though the direct debit had not been taken. It may help if I start by explaining how signing up for MTD impacts direct debits. For customers who have an existing direct debit set up for payment of their VAT, when they sign up for MTD their existing direct debit is cancelled and a new one is automatically set up. At this point, HMRC issues the customer a letter, explaining the direct debit switch, details of their new service user number and how the deduction will be labelled in their bank account. We have arrangements in place to stop direct debit customers signing up to MTD too close to their filing deadline, so that this change does not impact their next direct debit payment.

We are aware of a very small number of customers who have been affected by technical issues which have impacted their direct debit payment. In some cases the associated online VAT account has shown incorrect statements. I am sorry for any inconvenience or worry this may have caused. We have taken steps to stop this happening in future, and we are working

with those customers who were impacted to correct their accounts. Those customers should not have received either a penalty or an interest charge as a result of this technical issue. This is in line with our public commitment to take a light touch approach to digital record keeping and filing penalties within MTD in the first year where people are doing their best to comply.

Yours sincerely

A handwritten signature in black ink that reads "Jonathan". The signature is written in a cursive style with a large initial 'J'.

**SIR JONATHAN THOMPSON
CHIEF EXECUTIVE AND PERMANENT SECRETARY**