



HM Revenue
& Customs

Areas of Research Interest October 2024

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Foreword

The publication of HMRC's Areas of Research Interest is central to our growing engagement with the external research and analytical communities working alongside HMRC's data gathering, analysis and research capabilities. Our vision is for a more open and collaborative approach to further expand and strengthen our evidence-base. Doing so will ensure decision-making in HM Revenue and Customs (HMRC) and HM Treasury (HMT) is grounded in the best available evidence to help us meet current and future challenges across tax, customs and financial support.

HMRC works through the Policy Partnership agreement with HMT and memorandum of understanding with the Office for Budget Responsibility (OBR), to deliver a fair and efficient tax system that balances the twin goals of economic growth and fiscal stability for the UK. Tax has wide ranging implications for the economy and wider social welfare objectives across the supply and demand of goods and services and the labour market as well as on investment choices by individuals and businesses. Evidence shows that tax choices can lead to complex behavioural responses, including scale of response, the incidence of tax and the degree of compliance. It is therefore crucial for HMRC, HMT and the OBR to have access to the best possible evidence on the scale and nature of these impacts to inform difficult trade-offs. In addition, changes to the economy, such as the growth and interactions with intangible services, the gig economy and cross-border trade add to the complexity of analysis over time.

The Areas of Research Interest identified in this publication are designed to address ministerial strategic priorities for HMRC: improving customer service, closing the tax gap, and modernisation and reform. HMRC need to understand issues raised by administrative burdens on customers, customer experience and support, use of their data and interactions with increasingly digital systems, and compliance strategy. The rapid pace of change means that understanding how best to work with our wide range of customers is becoming ever more important for HMRC to deliver innovative and effective solutions, and help meet our vision to be a trusted, modern tax and customs department.

To further grow and improve our engagement with academia we recently obtained funding from Administrative Data Research UK (ADR UK) to explore options to broaden and deepen our engagement with the external research and analytical communities facilitated through increasing access to HMRC data.

We are keen to engage with the wider research and analytical community to improve the evidence base to further improve decision making in the future.

Adrian Richards
HMRC Co-Director of Knowledge, Analysis and Intelligence (KAI)

Interpreting the ARI

HMRC are the United Kingdom's tax and customs authority, and we collect the money that pays for the UK's public services and help families and individuals with targeted financial support. We do this by being increasingly effective and efficient in our administration. We help the honest majority to get their tax right and make it hard for the dishonest minority to cheat the system.

HMRC plays a crucial role in administering the vast majority of UK taxes, financial support through Child Benefit and Tax-Free Childcare, and the system of Customs at the border. The scale of these is substantial with £843 billion raised to fund Government spending on essential services, including support provided to around 7 million families with children (details from [HMRC's annual report and accounts 2023 to 2024: performance overview](#)). As the UK's tax and customs authority, HMRC plays an essential role in facilitating the smooth flow of trade at the border, maintaining control and security, and increasing the UK's reputation as a trading partner to help deliver economic growth for the UK. Our work also makes a difference on a global scale through our collaboration and data sharing with international partners to tackle tax crime and offshore non-compliance.

HMRC's 5 strategic objectives:

- to collect the right tax and pay out the right financial support
- to make it easy to get tax right and hard to bend or break the rules
- to maintain taxpayers' consent through fair treatment and protect society from harm
- to make HMRC a great place to work
- to support wider government economic aims through a resilient, agile tax administration system

This document is not an exhaustive list of HMRC's interests in research and analysis. Rather it comprises the sub-set of those areas where:

- interest is deemed to be sufficiently enduring; and
- external contributions are sought to complement our existing programme of internally conducted and commercially commissioned research and analysis

The Areas of Research Interest are presented as themed groups of example research questions under ministerial strategic priorities for HMRC of improving customer service, closing the tax gap, and modernisation and reform. In addition, we have included research questions from the HMT ARI pertaining to tax and therefore also of relevance to HMRC.

Improving customer service

1. Customer experience

Closing the tax gap

2. Compliance approach

Modernisation and reform

3. Channel use
4. Timely payments
5. Data use

HMT tax content

Additional themes taken from the HMT ARI relevant to HMRC

Engaging with the ARI

We welcome your engagement with the ARI:

- if you have new evidence to share that completely or partly answers one of our questions, or relates to HMRC's areas of work more broadly
- if you are, or potentially plan to be, carrying out research relating to one of our questions, we would like to hear about it
- if you are submitting a funding or grant application that aligns with one of our ARI questions, where we hope that referencing the HMRC ARI will help strengthen your case for the possible public impact of the research

For all engagement with HMRC's ARI, please contact us at:

ari.mailbox@hmrc.gov.uk.

We will ensure that the evidence you submit reaches the right parts of the department for their consideration. Colleagues may also wish to follow-up with you if they have further questions.

Please note that we are not able to offer endorsement of funding or grant applications and the HMRC ARI is not an invitation to tender for HMRC funding for specific research projects.

If your research would benefit from HMRC data, please contact our Datalab function at hmrc.datalab@hmrc.gov.uk. More details about HMRC's Datalab and how to submit an application to use it for access to HMRC's data can be found at the following link: [About HMRC Datalab](#).

This document is part of our broader engagement between the department and the research and analytical community.

Areas of Research Interest

Alongside the detailed questions set out below, HMRC's research interests overlap in some areas with those of other organisations and departments, notably those of HMT, whose tax related interests can be found incorporated here in addition to within the HMT ARI.

A list of government departments Areas of Research Interest publications can be found on gov.uk here: [Areas of research interest - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/areas-of-research-interest).

ARI's from all government departments are indexed and searchable via the ARI database here: <https://ari.org.uk/>.

Improving customer service

1. Customer experience

Research in this theme pertains to how HMRC can best support customers by making it easy to get tax right; customers' experience of HMRC and how well they perceive delivery on [Charter standards](#). This includes, but is not limited to, their experience across multiple channels such as digital, phone, webchat and guidance and how different tax regimes affect customers in paying their taxes in terms of time taken, financial cost and their overall ease of experience. In addition, we are interested in exploring links between customer experience and ways of working within HMRC.

Example research questions:

- **Resource effectiveness:**
 - *what is the relationship between customer experience and revenue outcomes?*
 - *how can we most effectively use resource (such as, permanent, contingent and outsourced staff) to optimise customer experience of the service provided?*
 - *what are the implications of effective resource usage for contact centre opening hours and staff training, staff allocation between phone and webchat, and signposting to digital services?*
- **Support tools:**
 - *how can HMRC use and evaluate how effective technological solutions are for customer contact, such as webchat, asynchronous messaging, apps and digital accounts?*
 - *how does HMRC compare to best practice and what current and future technologies could be utilised to improve customer experience?*
 - *how can HMRC provide better support through our digital services to reassure customers when meeting their tax obligations?*
 - *how will the needs of customers who need extra help evolve over time as we modernise the way we interact with customers, and*

how can we use future technology to better support these customers?

- **Administrative burdens:**
 - *how common are various administrative burdens and what is their impact on customer experience?*

Closing the tax gap

2. Compliance approach

Research in four broad areas will help to better inform our compliance approach and may help us prevent and address non-compliance through more innovative interventions. We want to better understand: where HMRC can provide more support for small businesses in getting their tax right; the compliance implications of tax reliefs; public perceptions of tax fraud; and the approaches used by other tax authorities to prevent and address non-compliance and their relevance in a UK context.

Example research questions:

- **Key events in the lifecycle of a business:**
 - *how and where in the events in the lifecycle of a business can HMRC most effectively support small businesses to get their tax right?*
- **Impact of reliefs:**
 - *what are the compliance implications of tax reliefs?*
- **Understanding public perceptions of fraud:**
 - *what is the public perception of tax fraud in respect of; the scale and severity of fraud, the most common customer groups participating in fraud, the likelihood of detection and the consequences of committing fraud (segmented by behaviour, customer group and tax type)?*
- **What works internationally:**
 - *what novel/innovative approaches do other tax authorities use to prevention and redress non-compliance in areas such as small business and research & development, and what can be learned from them of relevance to the UK context?*

Modernisation and reform

3. Channel use

As part of HMRC's vision to be a trusted, modern tax and customs department, our strategy is to deliver more of what our customers need through digital services whilst retaining advisor-led services for those who need them, for example those who need assistance to use our digital services, are digitally excluded, vulnerable or have complex tax affairs. Research would consider how we deliver this modernisation effectively to improve customer experience,

building on existing evidence and research to understand customer needs, preferences and behaviour.

Example research questions:

- **Digital propensity model:**
 - *what is the digital capability of the HMRC customer base? Does this change over time and, if so, how?*
 - *what proportion would be capable of; self-serving through digital channels, would need support to do so, and would be digitally excluded from using such services?*
- **Channel shift:**
 - *what are the best ways to design a customer contact strategy for maximum uptake of digital channels, while still maintaining excellent and accessible services, supporting vulnerable customers and customers who need additional help through an appropriately paced transition?*
 - *what future functionality will HMRC require for this?*
- **Digital channel messaging impacts:**
 - *what will future demographic, economic and other changes mean for future level and mix of demand for HMRC customer services through different channels?*
 - *how can HMRC better understand the impact of using different digital communication channels compared to more traditional methods of inbound communication from customers?*
 - *how is communication from customers impacted by the stage of contact, HMRC resource strategy and changing economic/political environments?*
- **End to end customer journey:**
 - *how do customers' experiences in the lifecycle of their engagement with HMRC impact their behaviour (channel use, timely payment, compliance)? For example, how does channel preference differ depending on the nature of the customer's query? What else impacts a customer's channel choice, and therefore which channels HMRC should offer customers to make it easy to get tax right (including tax compliance)?*
- **Complexity of demand and productivity:**
 - *how will technological developments and organisational digital transformation impact customer contact demand patterns and productivity? (For example, will the queries advisers handle become increasingly complex with customers using digital self-serve to handle less complex queries?).*
 - *how is productivity in managing such contact best measured over time to create a comparable time series?*

4. Timely payments

Research would consider the challenges and opportunities for taxpayers and HMRC of more accurately forecasting end-of-year liability and collecting Self

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Assessment income (including corporation tax Self Assessment (CTSA) for smaller companies) closer to the point of income arising (developing our understanding beyond the [Timely Payment Call for Evidence Summary of Responses, 2021](#)).

Opportunities for taxpayers include improved customer service (through digital self-service, near-accurate tax forecasting tools and earlier payment of tax, all of which support taxpayers to budget more effectively). Opportunities for HMRC include reduced error and supporting more taxpayers to pay on time, both of which contribute to closing the tax gap, one of Exchequer Secretary to the Treasury's key priorities for HMRC.

Research objectives would include (but are not limited to): how HMRC can design policies, processes and services which support earlier payment; the cashflow implications for taxpayers and HMRC of moving to earlier payments and insight to ensure timely payment policy development considers (and looks to meet) the needs of financially vulnerable taxpayers. In this context financially vulnerable taxpayers are those on low-incomes or who have (or are at risk of falling into) tax debt.

Example research questions:

- **Self Assessment taxpayer behaviour – pre-payment:**
 - *what are the barriers to using pre-payment that our Self Assessment customers face?*
 - *what prevents Self Assessment taxpayers from using HMRC's Estimator Tool for Self Assessment taxpayers and the Budget Payment Plan? And what would motivate more taxpayers to do so?*
- **Cashflow:**
 - *what are the cashflow implications of Self Assessment for income and corporation tax?*
- **Administrative burdens:**
 - *how would timely payment of Self Assessment income and corporation tax impact on taxpayer's administrative burdens?*
- **Financially vulnerable customers:**
 - *what are the barriers and challenges for financially vulnerable Self Assessment and corporation tax customers on low-incomes or who have (or are at risk of falling into) tax debt and how can they be best supported?*

5. Data use

The use of digital technology to deliver government administration and public services generates useful data and analytics as well as opportunities to capitalise on artificial intelligence. Increasingly complex data flows within and across organisations have made data privacy and trustworthy management of data all the more important. Whilst existing data protection legal frameworks regulate the collection and use of personal data, there are other ethical and technical considerations on data collection and sharing in the tax system that are worth exploring.

Example research questions:

- **Data sharing:**
 - *how can HMRC best collaborate on research or analysis that brings together data from different departments and public bodies?*
 - *what issues arise from sharing data with external/commercial partners and organisations?*
 - *how should government utilise other data sources from third parties, are there any concerns or benefits from government knowing more about its citizens?*
- **Expressed purpose:**
 - *what are public attitudes to HMRC taking opportunities to collect and use data that could help improve wider policy and service delivery for citizens and businesses rather than only for a specific purpose?*
- **Confidentiality:**
 - *trust in the tax system and the role of confidentiality: are there circumstances when confidentiality should be waived?*
 - *is confidentiality important for voluntary compliance?*
- **Protected characteristics:**
 - *what are customer attitudes to HMRC collecting and using protected characteristics data?*
- **Use of AI models:**
 - *what are the implications of using AI models and what are their impacts on different customer groups?*

HMT tax content

HMRC's ARI incorporates the tax content from HMT's equivalent publication given our shared interest in tax related research.

Example research questions:

- *how do thresholds and boundaries in the tax system influence taxpayer/business behaviour?*
- *how do the incentives in the labour tax system influence taxpayer behaviour, and what is the economic cost of any relevant distortions? In particular, what are the latest estimates of fundamental elasticities such as labour demand, labour supply, for different groups?*
- *what role do headline tax rates (including the impacts of differing regional tax rates in devolved tax systems), reliefs, grants and tax system stability play in business investment decisions and economic growth, and what is the relative importance of each of these factors?*
- *what is the impact of the property tax regime on economic growth?*
- *which countries have plans in place to maintain or replace tax revenues as sectors transition to net zero? What can the UK learn from international best practice?*
- *what is the role of tax in incentivising emissions reductions?*

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- *what is the role of border adjustment mechanisms in preventing carbon leakage, and on the measurement and verification of embodied emissions in carbon-intensive goods? What are the wider macroeconomic impacts of such mechanisms?*
- *how effective are tax reliefs at achieving their stated objectives? Are reliefs passed through where that was the intention? How effective are tax reliefs at achieving their stated objectives compared to other types of government support, and how is this assessed?*
- *estimates of the impact of public health taxes, such as the soft drinks industry levy, on social outcomes including health outcomes, in the UK and internationally?*

Contact HMRC

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ari.mailbox@hmrc.gov.uk