

# HMRC's logic for closing 281 tax advice centres is utter...

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The [FT has repeated HMRC's justification for announcing the close of 281 tax advice centres, saying:](#)

*HMRC blamed a lack of demand from taxpayers for the enquiry centre closures. It said customer demand had halved, from 5m visitors in 2005-06 to fewer than 2.5m in 2011-12.*

*It said each appointment costs the tax authorities £152 on average, compared with a cost of dealing with a taxpayer on the phone at £3 per call, or an online transaction that costs just 9 pence.*

Bet as they also note, the closure will save just £13 million.

So let's do some maths here.

There are 2.5 million visits a year (hardly no demand, but let's leave that aside). They cost an average of £152. So the apparent cost is  $£152 \times 2.5 \text{ million} = £380 \text{ million}$ .

Wow! That's a lot. But let's check that for reasonableness. [HMRC's accounts for 2011-12](#) (yes, they have them) show (page 25) that it cost £3,705 million to run HMRC that year of which the biggest cost by far was people, at a cost of £2,371 million.

There were (page 30) 67,000 staff. So average cost of employment including pensions and employer's NI was £35,388, although that, of course, is not what people saw on their payslips.

But let's use this data to look at HMRC's claim that these 2.5 million visits cost £380 million, or 10.25% of all HMRC costs. First that means, if true, that because staff costs dominate 10.25% of all HMRC staff must be involved in this activity. That's 6,700 people. Which is 373 visits each. Allowing for holidays, bank holidays, sickness and training I suspect each HMRC staff member has about 210 'customer facing' days available a year. That's 1.77 visits a day.

Now I have a feeling that may be right: it takes time to find out what a customer wants, sort their paperwork, find out what's missing, work out what the question is, show them how to put it on the tax return if that is what they're asking, tell them what the law is, check that if necessary and then note what's been done. On average (and I stress that point) I can see that this is plausible, based on my own experience as a tax practitioner.

None of that, of course vaguely translates to a phone enquiry, where the caller can not show any paperwork and is almost invariably read an answer from a script which leaves many frustrated, and far too often making tax mistakes. And an online transactions, which assumes the taxpayer knows what they're doing, is no comparison at all.

But let's now assume demand for such help does not fall, much - and with the massive impact of changes in the benefits and tax system coming up, many of which are inter-related, such a fall is very, very unlikely to happen - not least because it's estimated that well over a million more people will need to do tax returns as a result of the changes in child benefit alone - then HMRC people will still have to spend time with taxpayers.

Only now they will be travelling to meet them. And that takes time. Which is why accountants don't visit. doctors don't visit and lawyers don't visit, because time is money. It also imposes a very high cost in wasted visits where you get there and the person has forgotten the appointment. In the office you use that time productively; on the road it's lost. which is again why professionals don't visit: you go to them.

And in the office you've got back up, and people are safe from attack (oh, yes, it happens). But they're not when they're out.

Nor do they have colleagues who they can just pop out to talk to for a moment just around the corner: they have to call when out, and that's much harder in a person's home.

So efficiency of these personnel will decline dramatically under the new plan. It's a guess what this loss of efficiency would mean, but purely on travel time I suggest if they do 1.77 now it's optimistic to think they'll do 1.25 a day in the future. So, to meet the existing demand will require not 6,700 staff but 9,500 staff. That's a cost increase of £99 million bringing total labour cost to £336 million. And they're all running a car, Let's assume they do 1,000 miles a month on average for visiting (hardly a lot) then at HMRC mileage rates that's £5,000 a year each or a cost of £48.5 million. Now the service costs £384.5 million to get people in front of the same customers as they did before in HMRC offices, but now in their own homes.

You'll now note direct costs, before overheads, of meeting existing demand are higher than they are now when these people are office based. However, there's assumed to be an implicit £143 million of overhead cost in current costing of the service. Not only do all of these have to go to make the savings HMRC claims, there have to be efficiencies on

top to cut £13 million.

Cutting all those overheads is not going to happen. Not in a month of Sundays. Most of them are called premises and a lot of them are fixed costs.

So, let's get real. To make this work HMRC are actually going to cut staff costs, and to save £13 million at the new efficiency rates the staff and travel budget combined must come to £224 million in order to save £13 million, with each staff member now costing £39,888 including their car. This reduces available staff from 6,700 to 5,615. But since they now only do 1.25 visits a day each total visits are cut from 2,500,000 in house to 1,475,000 in future to make the books balance.

Over a million people are inconvenienced and may get their tax wrong as a result. That's a dire situation likely to lead to massive loss of confidence in the tax system.

Over 1,000 people lose their jobs.

HMRC don't save overhead.

And HMRC's reputation is shred to pieces.

All to save less than Starbuck's are voluntarily paying in extra tax over the next two years.

Staggering. And incompetent. These are the only words to describe this.